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Received *April*....., 1893.

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THE PRESENT DEPRESSION IN TRADE: ITS CAUSES AND REMEDIES.

THE "PEARS" PRIZE ESSAYS

(OF ONE HUNDRED GUINEAS)

BY

EDWIN GOADBY AND WILLIAM WATT,

WITH AN INTRODUCTORY PAPER BY

PROFESSOR LEONE LEVI, F.S.A., F.S.S.,

(ONE OF THE ADJUDICATORS)

READ AT THE BRITISH ASSOCIATION FOR THE ADVANCEMENT OF
SCIENCE, IN ABERDEEN, SEPTEMBER, 1885.



TENTH EDITION OF TEN THOUSAND EACH.

London:

CHATTO AND WINDUS, PICCADILLY.

1885.

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LONDON:
WATERLOW AND SONS LIMITED, PRINTERS,
LONDON WALL.



INTRODUCTION.

I.—PRIZE ESSAY ON THE DEPRESSION OF TRADE.

WITHIN the last few weeks as many as fifty-eight Essays were placed in my hands as one of the adjudicators of a Prize of One Hundred Guineas, generously offered by Messrs. PEARSON for the best Essay on the present "Depression of Trade, its Causes and its Remedies," and from these my colleague, Mr. John Glover, and myself, much regretting the absence from England of Mr. George Baden Powell, who consented to act with us, selected two Essays, as on the whole the best, one by Mr. Goadby, of York, and the other by Mr. Watt, of Aberdeen, to whom we awarded an equal proportion of the Prize. The value of the Essays does not consist in the discovery of any new method for the prevention or remedy of such depressions—we did not expect that, but rather in their presenting a well-digested survey of the circumstances which preceded, and the causes which produced the depression.

There is nothing very new, indeed, in the occurrence of even a somewhat protracted depression of trade. We have had it before. The periodicity of commercial crises has often been noted. Experience teaches us that seven fat-fleshed, well-favoured kine—years of plenty—are generally followed by other seven poor and very lean ill-favoured kine—years of famine. What may be the causes of it we need not

inquire. Some have gone so far as to detect a connection between the solar surface and certain terrestrial phenomena, as between sunspots and the price of wheat. As a matter of fact, there has ever been an alternation of prosperity and dulness in trade.

The declared value of exports of British produce and manufacture shows us that the lean years 1845 to 1848 succeeded the fat years 1843 to 1844; that the lean years 1854 and 1855 succeeded the fat years 1849 to 1853; that the lean years 1860 to 1862 succeeded the fat years 1856 to 1859; that the lean years 1867 and 1868 succeeded the fat years 1863 to 1866; that the lean years 1873 to 1879 succeeded the fat years 1869 to 1872, and that the lean years 1883 and 1884 succeeded the (comparatively) fat years 1880 to 1882. (See Appendix A.) And the consequences of these alternations are always serious, for the economic interests of millions of people, all the world over, are affected by them.

II.—ALLEGED CAUSES OF THE DEPRESSION OF TRADE.

The causes of the present depression are variously stated by the different Essayists. Some are described as affecting special branches of industry; some as particularly bearing on British commerce, and others, of a more general character, as affecting all branches of trade and all countries alike. (Among the causes mentioned are, the diminished production and consequent appreciation of gold; the heavy losses in agriculture consequent on several successive bad harvests, accompanied by competition of large foreign imports brought to this country at exceedingly low rates of freight; over-production in manufacture, shipping, iron, coal, in fact in production of every kind, the effect of improved plant and machinery as well as of larger amount and greater concentration of capital; heavy losses of national resources caused by numerous destructive wars, and the large war expenditure yearly incurred by the principal countries of Europe; extensive speculative investments utterly disappointing in their results; an

excessive expenditure in alcoholic beverages and the improvidence of the working classes; the restrictive tariffs in many States which intercept the free course of commerce and condemn nations to suffer, either from the exclusion of necessary or useful commodities or from excessive monopoly prices; the cessation of great discoveries, and the revolution produced by the greater speed in communication. Among the remedies suggested for commerce and manufacture are: the introduction of better machinery and improved processes in manufacture; the opening of new channels of trade, and greater economy both in production and distribution; and for agriculture, a cheaper and safer system for the transfer of land, as well as greater stability of tenure. Only one Essay out of fifty-eight was found to advocate fair trade, and to bring forward reasons against the maintenance of our free trade policy.

III.—PROGRESS OF BRITISH TRADE, 1865-1885.

In order to determine the character and extent of the present depression of trade, if such really existed or exists, not a few writers have taken for their starting-point the years 1872 and 1873, but those were very exceptional years from a variety of causes. The revival of trade in France and Germany, after its interruption during the war, the eagerness manifested in both countries to recover what they had lost, the illusion formed of unlimited wealth in France, from the facility with which she paid the exacted indemnity to Germany; the numerous loans contracted by different States, and paid in many instances by the export of produce; these and other circumstances gave an enormous and an unnatural impulse to trade and production in those years, an impulse not justified by the economic condition of the people whose wants they were intended to supply. Do not think that the power to consume is always commensurate with the power to produce. War is a calamity which destroys the very vitals of nations and blights the best sources of wealth. Nothing could be more fallacious than to imagine that France and Germany

were any the richer by the terrible war which they waged against one another. Many years of patient industry are required to make up for the waste and destruction thereby caused. Can we wonder that the very high value of the exports in 1872 and 1873 was subjected to a serious diminution in subsequent years. A sound opinion of the condition of trade can only be formed by taking a long period under review, and if we divide the last twenty years into four quinquennial periods, we may better see what progress has been made and what could reasonably have been expected.

TOTAL TRADE OF THE UNITED KINGDOM, 1865-1884.

Years.	Imports.	Per head.	Exports.				Total Trade.	Per head.
			British produce.	Per head.	Foreign and Colonial produce.	Total.		
	£	£ s. d.	£	£ s. d.	£	£	£	£ s. d.
1865-69	286,641,000	9 9 4	181,069,000	5 19 7	46,615,000	229,684,000	516,325,000	17 1 4
1870-74	316,087,000	10 9 5	230,728,000	7 7 0	55,453,000	286,179,000	632,245,000	20 0 9
1875-79	375,035,000	11 4 0	201,474,000	6 0 0	56,524,000	257,998,000	633,053,000	18 19 0
1880-84	407,587,000	11 6 6	234,255,000	6 13 10	63,538,000	297,793,000	705,380,000	20 0 8

So far then from exhibiting any extraordinary declension, these figures show that the trade of the United Kingdom has been on the whole in a fairly healthy condition. Comparing the period of 1880-1884 with that of 1865-69, and making allowances for the increase of population, we find an increase in the imports at the rate of 19·57 per cent.; an increase in the exports of British produce at the rate of 11·76 per cent., and an increase in the total amount of trade at the rate of 19·64 per cent. Such percentages of increase are certainly not large, but they do not justify the assertions of any extraordinary depression of trade which have been so persistently made. The imports have increased at a greater ratio than the exports, yet the exports have not stood still. A great part of the imports is paid by the exports, and the nation draws profit from both the one and the other.

IV.—EFFECT OF PRICES ON THE VALUATION OF IMPORTS
AND EXPORTS.

But while the declared value of imports and exports is shown by the price, the consuming power of the people is best seen by the quantities received or sent out. Look at the shipping returns. The tonnage of British and foreign vessels, cleared at ports in the United Kingdom, with cargoes only, to foreign countries, averaged from 1865 to 1869, 14,614,000 tons; from 1870 to 1874, 18,780,000 tons; from 1875 to 1879, 21,509,800 tons; and from 1880 to 1884, 27,673,000 tons. While the population of the principal countries may be taken to increase at the rate of about 10 per cent. in ten years, our exports in value in that period have increased at the rate of upwards of 40 per cent., and in quantity at a still greater rate in twenty years. Mr. Giffen, in his report on recent changes in the amount of the foreign trade of the United Kingdom and the prices of exports and imports, showed that the quantities of imports in 1883, declared in value at £427,000,000, would have been worth £512,000,000 if computed at the prices of 1873, or £85,000,000 in excess, and that the quantities exported in 1883, calculated at the prices of 1873, declared in value at £240,000,000, would have been worth £349,000,000, or £109,000,000 more than they were declared to be. Whence, however, this low range of prices? Mr. Giffen, in a paper in the *Contemporary Review* for June, as well as Mr. Goschen, in his speeches at Manchester and elsewhere, have ascribed the low prices to the rise in the value of gold consequent on the great reduction in production in the face of a much-increased demand. But if any change had taken place in the value of the quotient by which all values, all prices, all services are estimated, its effects ought to have been general, and not partial to a certain number of commodities. Why, then, is meat dear and bread cheap? Why are wages in certain industries well maintained, and wages in other industries

in a declining state? Although the production of gold within the last few years has not been so large as it used to be, we must remember that the accumulated stock* of that precious metal is very large, and that the actual use of gold in banking, in commerce, and in the ordinary business of life has been greatly economised by the use of cheques on bankers, so perfect is the system of credit now prevailing, not only in the United Kingdom, but in the United States and other countries. A much more satisfactory reason for the fall in prices, I think, was suggested by Mr. Fowler, in the same *Contemporary Review*, where he ascribed it to the increasing production of the different articles, to improved facilities of communication, lower freights, international telegraphy, and the like.

The following quotations of prices, from the returns already named, of the principal articles of food, of raw materials, and of articles of exports in 1861, 1873 and 1883, will show that the fall has been by no means uniform:—

PRICES OF ARTICLES OF IMPORTS.

Articles of Food.

		1861.	1873.	1883.	1883 & 1861.
Bacon	s. per cwt. . .	52·04	40·88	53·09	+
Beef	s. " . . .	34·35	39·90	52·91	+
Butter	£ " . . .	4·94	5·64	5·04	+
Cheese	£ " . . .	2·32	7·99	2·72	+
Cocoa	d. per lb. . .	6·42	2·43	7·97	+
Eggs	d. per dozen . .	7·80	10·29	8·37	+
Currants	s. per cwt. . .	22·03	25·73	27·72	+
Rice	s. " . . .	12·90	9·92	8·20	—
Sugar	s. " . . .	34·65	31·84	27·22	—
Tea	d. per lb. . .	17·02	17·67	12·46	—
Corn—Wheat	s. per cwt. . .	12·72	13·01	9·85	—
Flour	s. " . . .	8·14	8·55	7·68	—

* Mr. Mulhall gives the increase in the stock of gold at from £911,000,000 in 1860, to \$1,504,000,000 in 1885.

Raw Materials.

		1861.	1873.	1883.	1883 & 1861.
Brimstone	s. per cwt. . . .	7·86	6·59	5·52	—
Cotton, raw	£ „	3·44	4·01	2·91	—
Indigo	£ „	35·82	27·90	24·50	—
Flax	s. „	53·13	49·95	39·92	—
Palm Oil	s. „	42·68	33·67	35·11	—
Leather	d. per lb. . . .	18·46	17·58	17·56	—
Copper Ore	£ per ton	15·93	16·54	10·34	—
Saltpetre	s. per cwt. . . .	32·49	26·30	20·04	—
Silk, raw	s. per lb. . . .	17·69	20·97	16·20	—
Tallow	s. per cwt. . . .	50·74	41·28	40·48	—
Wood	£ per load	3·78	3·24	2·61	—
Wool	s. per lb. . . .	15·85	14·75	12·08	—

PRICES OF ARTICLES OF EXPORTS.

		1861.	1873.	1883.	1883 & 1861.
Cotton Yarn	d. per lb.	12·54	17·76	12·25	—
Cotton Piece Goods plain	d. per yd.	3·02	3·45	2·61	—
Linen Yarn	d. per lb.	13·91	16·51	14·36	+
Linen, white and plain	d. per yd.	7·16	7·62	6·95	—
Woollen Yarn	d. per lb.	30·13	37·26	23·41	—
Wool Cloth	d. per yd.	29·81	41·00	38·30	+
Sugar, refined	s. per cwt.	49·24	30·02	21·40	—
Iron Bar	£ per ton	7·53	13·21	6·37	—
Steel	£ „	33·33	37·11	19·10	—
Copper, wrought	£ per cwt.	4·34	4·29	2·59	—
Coal	s. per ton	9·01	20·49	9·20	+
Glass, flint	s. per cwt	55·18	57·88	44·94	—

V.—CLASSIFICATION OF IMPORTS AND EXPORTS.

A return of the values of imports and exports, according to a classification of the articles into manufactured goods, articles partly manufactured, raw materials, and articles of

food, showed the total value of each class in the three years from 1881 to 1883 to have been as follows:—

CONSUMPTION OF FOREIGN PRODUCE AND MANUFACTURE.

IMPORTS AFTER DEDUCTION OF EXPORTS OF FOREIGN AND COLONIAL MERCHANDISE.

Classification . . .	1881.	Per cent.	1882	Per cent.	1883	Per cent.	Average of 3 years per cent.
	£		£		£		
Manufactured . . .	45,678,000	13·67	47,599,000	13·68	48,879,000	13·63	13·63
Partly Manufactured . .	21,835,000	6·53	24,812,000	7·07	24,478,000	6·77	6·79
Raw Materials. . .	99,858,000	29·89	107,487,000	30·90	107,378,000	29·71	30·17
Articles of Food . . .	165,778,000	49·63	167,238,000	48·04	179,817,000	49·73	49·14
Unclassified . . .	819,000	28	880,000	27	906,000	27	27
	333,961,000	100·00	347,816,000	100·00	361,256,000	100·00	100·00

EXPORTS OF BRITISH PRODUCE AND MANUFACTURES.

	1881.	Per cent.	1882.	Per cent.	1883.	Per cent.	Average of 3 years per cent.
	£		£		£		
Manufactured . . .	178,944,000	76·49	183,733,000	76·06	183,399,000	76·47	76·34
Partly Manufactured . .	30,200,000	12·81	31,177,000	12·91	29,697,000	12·45	12·72
Raw Materials. . .	13,522,000	5·77	14,260,000	5·83	14,180,000	6·03	5·91
Articles of Food . . .	10,315,000	4·40	10,883,000	4·54	10,485,000	4·37	4·44
Unclassified . . .	1,041,000	0·53	1,312,000	0·56	1,538,000	68	59
	234,022,000	100·00	241,468,000	100·00	239,799,000	100·00	100·00

Here we have some idea of the character of our exchanges. Manufactured and semi-manufactured goods figure in the exports of the United Kingdom in the proportion of 89 per cent. of the whole, and in her imports in the proportion of only 20 per cent. In other words more than seven-eighths of the British exports consisted of produce or merchandise, the fruit of the handiwork, the taste and ingenuity of British artizans. Now, could the

United Kingdom, which exports so large a proportion of manufactures, object to receive about 20 per cent. of the same from foreign countries. Raw materials for manufacture constituted about 30 per cent. of the British imports, and only less than 6 per cent. of British exports. Of articles of food there is great need in this country, and therefore they constituted a large portion of the imports, and a very small portion of the exports. It has been advocated that England should not receive from foreign countries, articles which may be produced in this country. But such an exclusive and unjust policy would be most mischievous to our foreign relations, and would be met by corresponding restrictions in foreign countries. It is indeed remarkable that Britain should yearly be able to receive so large an amount of raw materials, manipulate and manufacture them, and when so converted, re-export the same, in many cases, to the same quarters whence they originally came. Nor is it less wonderful, that, notwithstanding the construction of the Suez Canal, which brought other Continental countries so much nearer India and other producing countries, upwards of £60,000,000 of foreign and colonial produce should still find their way to these distant isles, and be thence distributed to the countries which need them.

There are still a few, and I trust only a few, who lament our increasing dependence on foreign countries for the necessities of life, who contend that the excessive balance of imports over exports indicates an enormous indebtedness to foreign countries, or an absolute loss in our exchanges with them. In their opinion with a view to the greater employment of the labouring classes at home, and as a matter of simple fairness to the people of this country, we should prohibit or restrict the imports of manufactured and even semi-manufactured articles, including for instance wheat flour. Nay more. What they advocate is that we should do unto others what they do unto us—meet prohibition with prohibition, high duties with high duties, and bounties with countervailing duties. It should be remembered, however,

that the increasing imports of articles of food is on the one hand the consequence of the improved condition of the people, which enables them to eat and drink more now than they were able to do in former years; and, on the other, the result or natural conditions, which determine and limit the productiveness of the soil in the United Kingdom, a fact, which we cannot remedy, and which we can only meet by the importation of foreign produce. The excess of imports over exports does by no means indicate a corresponding amount of indebtedness to foreign nations, for many other items must be taken into account before the balance of indebtedness can be struck, a large portion of the imports coming to this country in payment of money due upon the investment of British capital abroad, for freight for the employment of British ships on foreign account, &c. We would commit the greatest possible error were we to attempt to benefit the working-classes by the restriction of the imports, and the reduction of the amount of foreign trade; any restraint of that character having the effect of benefiting the few at the expense of the many.

VI.—ANALYSIS OF BRITISH EXPORTS.

I have already remarked that the British exports, though more than keeping pace with the population, have not exhibited any material increase between the first and the fourth quinquennial period at least, in so far as regards the declared value. An analysis of the descriptions of produce and manufacture exported, shows that whilst there has been an increase in the exports of some articles, there has been an actual decrease in the exports of other articles. And that whilst the principal staples of British produce and manufacture show only a moderate advance, a greater increase has taken place in the exports of other articles. In truth England sends forth a much greater variety of productions than she used to do. The figures are as follows:—

EXPORTS OF BRITISH PRODUCE AND MANUFACTURE, 1865-1884.

	1865-69.	1870-74.	Increase or Decrease.	1875-77.	Increase or Decrease.	1880-82.	Increase or Decrease.	Increase or Decrease, 1869-1882.
	£	£		£		£		
Cotton yarn ...	13,584,000	15,368,000	+	12,664,000	-	13,050,000	+	-
" manufactured ...	59,937,000	59,832,000	-	55,065,000	-	62,875,000	+	+
Woollen yarn ...	5,643,000	5,631,000	-	4,149,000	-	3,425,000	-	-
" manufactured...	20,836,000	25,876,000	+	18,038,000	-	18,522,000	+	+
Linen yarn ...	2,378,000	2,555,000	+	1,377,000	-	1,053,000	-	-
" manufactured ...	8,016,000	7,480,000	-	5,947,000	-	5,653,000	-	-
Silk thrown ...	946,000	1,404,000	+	758,000	-	767,000	+	+
" manufactured ...	1,188,000	1,934,000	+	1,770,000	-	2,377,000	+	+
Haberdashery ...	4,784,000	6,018,000	+	3,989,000	-	3,811,000	-	-
Earthenware ...	1,629,000	2,050,000	+	1,776,000	-	2,149,000	+	+
Hardware ...	4,189,000	4,449,000	+	3,481,000	-	3,681,000	+	+
Machinery ...	4,056,000	7,854,000	+	7,753,000	-	11,537,000	+	+
Iron manufactured	15,583,000	31,015,000	+	20,881,000	-	28,131,000	+	+
Coal ...	5,065,000	9,499,000	+	8,194,000	-	9,614,000	+	+
Principal articles ...	142,718,000	180,465,000	+	145,822,000	-	156,675,000	+	+
Other articles ...	38,309,000	54,261,000	+	55,653,000	-	77,580,000	+	+
Total	£ 181,027,000	234,726,000	+	201,475,000	-	234,255,000	+	+

The exports of cotton yarn, woollen yarn and manufacture, linen yarn and manufacture, haberdashery and hardware, show a decrease. The exports of cotton and silk manufacture, earthenware, machinery, iron manufacture, and coal, show an increase, and if we compare 1865-69 with 1880-84 we find that whilst in the principal articles of export there was an increase of 9·19 per cent., in the exports of other articles the increase was as much as 102·12 per cent. Generally, the same features are exhibited in the quantities exported as follows:—

	1865-69.	1870-74.	Increase or Decrease.	1875-79.	Increase or Decrease.	1880-84.	Increase or Decrease.	Increase or Decrease, 1869-1880.
Cotton yarn, lbs. ...	151,000,000	205,000,000	+	232,000,000	+	249,000,000	+	+
" manuf. yards ...	2,653,000,000	3,462,000,000	+	3,682,000,000	+	4,515,000,000	+	+
Woollen yarn, lbs. ...	38,000,000	38,000,000	+	31,000,000	-	32,000,000	+	+
" manuf. yards ...	276,000,000	349,000,000	+	274,000,000	-	288,000,000	+	+
Linen yarn, lbs. ...	34,850,000	32,000,000	-	22,178,000	-	18,000,000	-	-
" manuf. yards ...	227,000,000	218,000,000	-	173,000,000	-	166,000,000	-	-
Iron and Steel, tons ...	1,961,000	2,964,000	+	2,441,000	+	3,901,000	+	+
Coal ...	10,191,000	12,748,000	+	15,640,000	+	19,073,000	+	+

VII.—DISTRIBUTION OF BRITISH EXPORTS.

It can scarcely be said, that the principal countries of the world are less open at this moment, than they were twenty years ago, to the admission of British produce and manufacture. Doubtless, we must lament the prevalence of erroneous economic principles in several countries. Financial exigencies, and more especially the influence of interested parties in the Government, and in the legislature of foreign States, have retarded the practical adoption of principles admitted to be sound and unquestionable. But, no political economist, anywhere, has ever spoken a word in favour of either restrictive tariffs, bounties or prohibitions.

Taking the population of the world at 1,600,000,000, and assuming the population of the British colonies and possessions to be about 250,000,000, the exports of British produce within the last five years averaged 6s. 5d. per head to British colonies and possessions, and 2s. 3d. per head to foreign countries. The relative progress of exports was as follows :—

	1865-69.	1870-74.	Increase or Decrease.	1875-79.	Increase or Decrease.	1880-84.	Increase or Decrease.	Increase or Decrease, 1864-1886.
	£	£		£		£		
Foreign Countries. . .	131,155,000	173,380,000	+	136,253,000	-	153,499,000	+	+
British Colonies . . .	49,952,000	59,245,000	+	66,622,000	+	80,756,000	+	+
	£ 181,107,000	£ 232,625,000	+	202,875,000	-	234,255,000	+	+

Whilst the exports of foreign countries have increased at the rate of 12·03 per cent., the exports to British colonies and possessions have increased at the rate of 61·66 per cent. The disappointing countries are Germany and the United States. To Germany, in the period from 1865-69, the exports amounted to £19,845,000. In the following period, 1870-74, they amounted to £26,308,000 and in the last, 1880-84, they amounted to £17,920,000. To the

United States of America the exports in 1865-69, amounted to £23,522,000. In 1870-74, they were £33,043,000, and in 1880-84, they were £28,684,000, and this in the face of an enormously increasing population. On the other hand, British India is becoming a large field for British exports. In 1865-69 our exports thither amounted to £16,566,000, and in 1880-84, they rose to £30,183,000. And to the Australian colonies, in 1865-69, there were exported £12,419,000 worth of British produce, and in 1882-84 £22,345,000.

There are evident reasons why the exports to British colonies and possessions should be increasing more rapidly than those to foreign countries. The population of British Colonies is increasing very rapidly; their natural resources, from an almost as yet virgin soil, are being developed with great vigour and with capital without stint; their colonists, mostly of British race, have a natural preference for British produce and manufacture, all the more that the produce which they raise, both agricultural and mineral, find the best market in the United Kingdom.

In pure geographical order, the exports from the United Kingdom were divided as follows:—

	1860.	Per cent. of the whole.	1870.	Per cent. of the whole.	1880.	Per cent. of the whole.	1884.	Per cent. of the whole.
	£		£		£		£	
Europe	49,000,000	38·19	81,100,000	40·65	82,000,000	37·08	89,000,000	38·19
Asia	27,300,000	20·12	36,600,000	18·68	68,000,000	21·67	47,000,000	20·16
Africa	6,800,000	5·01	13,400,000	6·76	12,800,000	5·89	9,000,000	3·86
America	42,800,000	31·89	67,400,000	28·99	80,100,000	27·18	58,000,000	24·99
Australia . . .	9,700,000	7·14	9,800,000	4·94	16,900,000	7·64	24,000,000	10·30
Other countries	500,000	·15	1,800,000	·38	1,500,000	·73	6,000,000	2·60
	£ 135,900,000	100·00	199,600,000	100·00	241,100,000	100·00	233,000,000	100·00

Thus arranged, we find that Europe and Asia maintain their place. Not so Africa, notwithstanding the many recent discoveries, and the enormous changes in her geographical and political divisions. And what we have lost in America has been gained in Australia.



VIII.—COMPARISON OF BRITISH AND FOREIGN EXPORTS.

An impression prevails that, whilst British exports are lagging behind, foreign exports are rapidly increasing. A comparison of the progress of British exports with those of foreign countries would be instructive, if classified in the same manner, as indicating the amount of power exerted by them in the development of their natural resources, and the success they relatively attain. But when the character of such resources differs essentially, the comparison is of no value, and still less can it be a guide to the question of international competition. The following is the total amount of domestic exports from the principal countries in 1865 and 1883 :—

Countries.	1865.	1883.	Increase per cent.
	£	£	
Austria	34,400,000	75,000,000	116·10
Belgium	24,000,000	53,700,000	123·83
France	123,500 000	138,000,000	11·80
Holland	28,000,000	56,900,000	103·57
Italy	22,000,000	47,200,000	113·63
Russia	32,000,000	97,800,000	206·20
United States . .	28,500,000	167,000,000	496·42
United Kingdom . .	165,800,000	240,000,000	44·75

The domestic exports of the United Kingdom and France thus appear to have made a smaller rate of increase than the exports of many other countries. But the British, as well as the French exports, started from a much larger amount. And it should be observed that France, with her protective policy, stands considerably behind Britain with her free trade policy. As regards other countries, other circumstances must be taken into account. In 1865, Russia had scarcely emerged from the disasters of the Crimean War, Italy was not yet fully consolidated, and the United States were still suffering from the effects of their intestine war. If, moreover, the exports of the United States have

increased enormously, it is because, with an increasing area, they have greatly increased the production of articles of food. Whilst the exports of the United Kingdom consisted of 76 per cent. of manufacture and 24 per cent. of other articles, those of the United States consisted of only 6 per cent. of manufactured and 94 per cent. of other articles, principally raw materials and articles of food. Much is said of the success of Belgium and France, but a comparison of the exports from these countries of textile materials show that they have suffered much more than the United Kingdom :—

	France.		Increase and Decrease.	Belgium.		Increase and Decrease.	United Kingdom.		Increase and Decrease.
	1865.	1883.		1865.	1883.		1865.	1883.	
	£	£		£	£		£	£	
Cotton Manufacture	3,700,000	3,600,000	-	1,200,000	500,000	-	46,900,000	62,900,000	+
Woollen "	12,100,000	14,800,000	+	1,800,000	1,000,000	-	20,100,000	18,800,000	-
Silk "	17,100,000	12,000,000	-	900,000	800,000	-	1,400,000	2,400,000	+
	32,900,000	30,400,000	-	3,700,000	2,800,000	-	68,400,000	83,600,000	+

IX.—ASSESSED AMOUNT OF PROFITS FROM TRADE AND OCCUPATIONS.

The most important evidence of the real condition of trade must be sought for in the amount of profits for which our mercantile classes consent to be taxed from year to year under Schedule D of the Income Tax, for, although some may underestimate their income, and others may over-estimate the same, on the whole the amount so assessed may be taken as a fair test of the profits of trade. The following gives a general view of the fluctuations in the principal classes of assessments under this Schedule from 1864-5 to 1882-3 in periodical averages.

	1865-69.	1870-74.	1878-79.	1880-84.	Increase per cent.
	£	£	£	£	
Quarries	611,000	749,000	1,133,000	958,000	56·79
Mines	5,349,000	7,112,000	13,180,000	6,939,000	29·72
Ironworks	1,992,000	3,968,000	5,632,000	2,555,000	28·26
Gasworks	1,970,000	2,678,000	3,895,000	4,677,000	132·33
Canals, &c.	826,000	764,000	2,426,000		
Railways.....	18,460,000	23,655,000	29,356,000	33,993,000	94·14
Public Companies, } 1867-69	15,389,000	19,312,000	24,087,000	27,706,000	80·03
Trade & Profession	120,165,000	144,817,000	170,718,000	170,396,000	41·79
Other Profits.....	—	6,966,000	13,855,000	21,487,000	—
Total.....	164,702,000	209,811,000	281,764,000	268,551,000	63·04
Population	30,200,000	31,803,000	33,207,000	35,300,000	16·88
Per Head	£ 5·45	6·59	7·83	7·60	39·44

It thus appears that the incomes from these various sources, instead of showing any diminution, exhibit an increase in the proportion of 39·44 per cent. upon the increased population of the United Kingdom. It should be observed, moreover, that in consequence of an increase in the limit of exemption made in 1875-6 from £150 to £200, as much as £20,000,000 income were removed from the assessment. On the other hand, other facts must be borne in mind. A large amount of the income so assessed arises from industrial enterprises requiring a considerable investment of capital. The income from railways, in the year ended 31st March, 1884, amounted to £35,339,000, but the capital invested in them was not less than £785,000,000, and the profits arising therefrom were at the rate of 4·62 per cent. Again, within the last twenty years, a large and an increasing amount of profit has been assessed upon public companies of a commercial character. And we know that the income so assessed is divided among an extensive number of shareholders belonging to all classes of society. The concentration of capital which has arisen from the operation of the Limited Liability Acts, has not tended to concentrate the profits of trade, but rather to diffuse them. Such profits are larger than they were, and, what is better, they are divided among a larger number of participants.

X.—ASSESSMENT OF PROFITS UPON LAND.

A very direct influence is exercised by the condition of the agricultural upon that of the trading interests. A prosperous agricultural population is an important element in the activity of the home market. Their wealth or their poverty is reflected in an increasing or diminishing demand for produce and manufacture. Low wages and increasing economy of labour in agriculture have the effect of increasing the competition for labour in the manufacturing districts, and capital withdrawn from land goes to swell its supply in trade. Some idea of the depression of agriculture in recent years may be formed from the following relation between the production of wheat per acre—price of wheat, and consequent money return per acre from the same as follows:—

Years.	Average yield in Bushels per Acre.	Average Price of Wheat per Imperial Quarter.		Value of Produce per Acre.		
		s.	d.	£	s.	d.
1865-69	27·8	53	8	9	7	0
1870-74	27·5	55	0	9	9	0
1875-79	24·0	47	6	7	2	0
1880-84	27·4	42	4	7	5	0

But if corn-growing, and especially wheat-growing, lands have suffered considerably from the low price of wheat, pastoral lands have benefited from the high price of meat. Hence the experience of late years differed materially in different counties. In Norfolk and Suffolk there has been a great reduction of rents. Not so in Devon, Cumberland, Chester, and Lancaster. I am indebted to Mr. H. C. Newson, a land agent, for a number of facts illustrative of the present value of land and farms within his own personal handling, and it will be seen that the lands which have suffered most are the poor wet clay lands

and land only suitable for growing wheat. The 40 farms referred to in Mr. Newson's return which represented an aggregate old rental of about £8,300, had in 15 years been reduced in value at an average of 30 per cent. to the amount of £5,700, and in many cases they were not saleable. (*See Appendix B.*) The amount of income assessed on land is—first, the landowners' income from rent, tithes, &c.; and second, the income of farmers derived from the occupation or working of land. There ought to be no difficulty as regards the landowners' income, except that in late years the Income Tax Commissioners were called upon to make considerable reductions upon the assessments in consequence of the abatements of rent made, and in many cases the non-payment of rent altogether. It is not easy, however, to arrive at the real income of farmers. The statistical abstract gives the gross amount "assessed" to the income tax under Schedule B, for the year 1882-3 at £65,823,054; and, following this authority, M. Giffen, at the Jubilee Meeting of the Statistical Society, gave the income of farmers at about £60,000,000, and Mr. Goschen, in his speech in Manchester, gave the united income from land of landowners and farmers at £140,000,000. But this, it seems, is an error, for no special assessment is ever made of the farmers' income. The Commissioners of the Inland Revenue use the assessments under Schedule A as a means for arriving at the profits of farmers (*see letter to the Times, Appendix C.*); but in order that farmers may not over-pay, half rate is charged in England and Wales, and one-third of the rate is charged in Scotland and Ireland. And thus, calculated in the year 1883-84, the amount of income from land will stand as follows:—

	Gross Amount. Schedule A.	Income from Occupation of Land—B.	Total.
	£	£	£
England	47,955,000	{ of 47,810,000=23,905,000 } Assessment in full... 213,000	24,120,000..72,075,000
Scotland	7,505,000	{ of 27,500,000= 2,500,000 } Assessment in full... 9,000	2,509,000..10,014,000
Ireland	9,803,000	{ of 29,982,000 ... 327,000	3,327,000..13,129,000
	<u>£65,263,000</u>		<u>£39,956,000</u> <u>95,219,000</u>

Taking the income from land approximately on this basis for the last 20 years, it will stand as follows :—

Years.	Income from Land—A. £		Income of Farmer—B. £		Total. £
1865-69.....	63,102,000		26,790,000		89,892,000
1870-74.....	65,413,000		28,280,000		93,690,000
1875-79.....	68,390,000		31,210,000		99,600,000
1880-84.....	67,810,000		30,965,000		98,775,000

The average of the last four years does not represent fully the reduction of income from land, such amount depending largely upon the valuation made every three years. Yet it will be seen that so far the amount showed no great reduction.

XI.—GENERAL CONDITION OF TRADE.

The general condition of trade is certainly considerably altered, and is much more precarious than it was fifteen or twenty years ago. First of all an increasing competition exists both at home and abroad, not only among the producers but among the distributors. At this moment, Chinese and Japanese merchants compete with British merchants in the trade of the East—just as French and German manufacturers eagerly strive to wrest from the British manufacturers a share in the supply of the textile and other manufactures. Nor have a few capitalists any longer the monopoly of trade. By the extension of joint-stock companies with limited liability, hundreds of millions find their way into trade and public works, and these companies being content with realising a small percentage of profits, private merchants must consent to work on equal terms. By the greater vigilance of labourers, manufacturers have no longer in their power to maintain wages at as low a rate as possible. They are made to divide with their labourers in the shape of higher wages a full portion of their profits. And the advantages which leading merchants once possessed from their extensive agencies are neutralised or lost by the promptitude with which everything is communicated to the world through the Press,

whilst electricity and steam have, by their speedy or instantaneous movement, greatly narrowed the field of speculation.

Monometallism or Bi-metallism has nothing to do with the depression of trade. Money is plentiful. What is wanted are greater diffusion of comforts and more confidence in political and social tranquillity. Altogether ill-founded are the complaints made against Free Trade. The free importation of merchandise into the United Kingdom has *not* proved to be a deterrent to production. For the increasing supply of articles of food, let us be devoutly thankful. The nation may perish by scarcity of food. It does not perish by abundance. And if the people consume more, it is because they produce more. We might expect better things in matters of tariff from such enlightened countries as France, Germany, and the United States, but, if these or any other countries prefer sacrificing their national interests in order to benefit any special class or classes, that is not a valid reason why England should do the same. If the Royal Commission, lately appointed on the depression of trade, or any members of the same, are in any expectation, that the facts which may be presented to them justify either the re-imposition of the Corn Laws, or the introduction of differential duties in favour of the British Colonies and against foreign countries, or a prohibitive or restrictive tariff of imports, they will be grievously disappointed. I do not object to an inquiry. It will put an end to much idle talk. It will show on what foundation of sand fair-traders and protectionists are relying. The verdict of the Nation has long been pronounced, and the Royal Commission, summoned if possible to reverse the same will, like Balak of old, not only reject the appeal, but confirm it as irrevocable. Royal Commissions cannot improve trade. What we require is to open and not to shut the avenues of wealth. We are all deeply concerned in its increase all over the world. All nations depend on the abundance of their harvests from year to year. Let us pray that their and our garners may be full, affording all manner of store. Commerce will ever be the handmaid of

peace. Let us rebuke the thoughtless, the suicidal mania for a warlike policy; let us put a check to the ruinous maintenance of enormous armies. Britain need not fear competition, and there is no reason why her productions should be inferior to those of any other nation in solidity, taste, and economy. She possesses a cheap and abundant supply of coal and iron—she has a climate most conducive to continuous labour, and plenty of workers fully apt, would that they had always the will for their work. Wages are not higher here than in other countries, when we take into account the relative power exerted on matter. Nor are the limited hours of labour a disadvantage, for labour saved is not lost. She has more capital than any other country, and nowhere the value of money is lower than in the United Kingdom. She has almost a monopoly of the carrying trade of the world, and she has the goodwill of a large and well established custom. By all means let other nations advance in wealth and industry. There is room for all. Let us only trust for better times, and we may be quite sure that any rays of sunshine which may brighten our fellow-labourers in the field in any part of the world will likewise brighten and energise every branch of British Industry.

APPENDIX A.

PROGRESS OF BRITISH EXPORTS.

TOTAL DECLARED REAL VALUE OF BRITISH AND IRISH PRODUCE EXPORTED
FROM THE UNITED KINGDOM.

Years.	Value.	Increase per cent.	Decrease per cent.
	£		
1840	51,309,000	...	...
1841	51,545,000	0·38	...
1842	47,286,000	...	8·15
1843	53,206,000	10·36	...
1844	58,535,000	12·00	...
1845	60,112,000	2·75	...
1846	57,787,000	...	3·82
1847	58,842,000	0·17	...
1848	52,849,000	...	1·02
1849	63,596,000	20·72	...
1850	71,368,000	12·26	...
1851	74,449,000	8·42	...
1852	78,077,000	4·83	...
1853	98,934,000	25·64	...
1854	97,185,000	...	1·80
1855	95,689,000	...	1·64
1856	115,827,000	21·12	...
1857	122,063,000	5·35	...
1858	116,609,000	...	0·44
1859	130,412,000	11·83	...
1860	135,591,000	4·14	...
1861	125,103,000	...	8·63
1862	123,992,000	...	0·95
1863	146,602,000	18·32	...
1864	160,449,000	9·42	...
1865	165,836,000	3·36	...
1866	188,918,000	13·93	...
1867	180,962,000	...	4·24
1868	179,679,000	...	0·72
1869	190,045,000	5·79	...
1870	199,587,000	5·00	...
1871	223,066,000	11·79	...
1872	256,257,000	10·40	...
1873	255,165,000	...	0·77
1874	239,558,000	...	6·03
1875	223,466,000	...	6·72
1876	200,639,000	...	10·20
1877	198,893,000	...	0·81
1878	192,850,000	...	2·61
1879	191,532,000	...	0·66
1880	223,060,000	16·50	...
1881	234,023,000	4·84	...
1882	241,467,000	3·11	...
1883	239,799,000	...	0·70
1884	233,025,000	...	2·82

APPENDIX B.

STATEMENT SHOWING REDUCTIONS OF RENTALS WITHIN THE LAST FIFTEEN YEARS.

	County.	Total Area of Farm.	Proportion of		Nature of Soil.	Old Rent.		Present Rent.		Reduction.
			Arable.	Grass.		Total.	Per Acre.	Total.	Per Acre.	
		A.	A.	A.		£	s.	£	s.	Per cent.
1	Bucks	188	—	—	Heavy	250	27	100	11	60
2	"	100	50	50	"	146	29	50	10	64
3	"	142	97	45	"	—	—	71	10	—
4	"	134	80	54	"	175	26	100	15	43
5	"	143	—	—	"	241	32	148	20	40
6	"	105	60	45	"	210	40	130	25	38
7	"	140	80	60	"	240	34	140	20	43
8	Cambridge	199	117	82	"	413	42	250	25	40
9	Devon, South	168	—	—	Mixed	192	23	173	21	10
10	" "	187	—	—	"	270	29	250	27	8
11	Lincoln	114	89	25	Fen Clay	285	50	125	22	57
12	"	80	75	5	"	170	42	120	30	30
13	"	77	72	5	"	138	36	108	28	22
14	"	74	64	10	{ Upland, part clay, part thin soil }	111	30	74	20	33
15	"	85	81½	3½	Fen Clay	150	35	82	About 20	45
16	"	120	110	10	{ Do. and part silty }	160	27	120	20	25
17	"	59	56	3	{ Part Up-land, part Fen }	128	43	65	22	50
18	Norfolk, West	810	510	300	Mixed	1300	32	1000	25	23
19	" "	550	424	126	"	855	31	600	22	30
20	" "	550	436	114	"	1000	36	700	25	30
21	Norfolk, South	133	103	30	"	240	36	200	30	17
22	" "	205	—	—	Do. part clay	318	31	238	23	25
23	Suffolk, East	265	About ½	About ½	{ Light and Mixed }	356	28	253	18	32
24	" "	94	74	20	Heavy	141	30	90	19	30
25	" "	253	About ½	About ½	Mixed	392	31	250	20	36
26	" "	286	116	70	Heavy	305	21	150	10	51
27	" "	150	—	—	"	255	34	150	20	42
28	Suffolk, West	183	—	Small part	{ Part heavy and part mixed }	320	35	196	21	40

APPENDIX B—continued.

	County.	Total Area of Farm.	Proportion of		Nature of Soil.	Old Rent.		Present Rent.		Reduction.
			Arable.	Grass.		Total.	Per Acre.	Total.	Per Acre.	
		A.	A.	A.		£	s.	£	s.	Per cent.
29	Suffolk, West	249	—	{ Small part }	Heavy	311	25	140	11	55
30	" "	47	—	Do.	"	70	30	47	20	33
31	" "	45	—	Do.	"	76	34	35	16	50
32	" "	236	—	About $\frac{1}{2}$	{ Part heavy and part mixed }	396	34	295	25	25
33	" "	236	—	About $\frac{1}{2}$	Do. do.	347	29	250	21	28
34	Somerset	437	170	267	{ Mixed, part clay }	595	27	500	23	16
35	Suffolk, West	464	362	102	Heavy	793	34	484	21	39
36	" "	545	453	92	"	900	33	487	18	46
37	" "	32	28	4	"	54	34	40	25	26
38	" "	148	122	26	"	291	39	150	20	50
39	" "	278	182	96	"	566	41	330	24	42
40	" "	220	155	65	Mixed	470	43	330	30	30

NOTES ON TABLE.

No. 8.—This farm is now in hand: the best offer I obtained for it last Michaelmas being 20s. an acre, which would have represented a still further reduction; and if I let it this Michaelmas, as I intend to do if possible, I doubt if the rent I shall obtain will be as much as 20s. an acre.

No. 11.—For this farm I am now taking what I can get. Last year the rent was fixed at 22s. an acre.

I believe this property cost about £10,000 ten or fifteen years ago, and my clients would, I am sure, now sell it for £5,000.

No. 13.—Over £1,000 had to be spent on this farm for new buildings and draining before the tenant agreed to stay; so that the reduction in rental is really very much more than is shown on the face of the statement.

No. 14.—A similar remark applies to this farm.

No. 15.—And a like remark applies to this.

Nos. 16 and 17.—These two properties have just been foreclosed and the original rents, taking into account all the charges, were really in excess of the sum shown in the column under the head of "Old Rent."

Nos. 19 and 20.—The leases at the reduced rents run out in a year's time, and if things remain in their present state there will be, I should think, at least a further reduction of 10 or 15 per cent.

No. 21.—This farm I have just sold for £3,500, and it cost the late owner about £7,500 some twenty or thirty years ago.

No. 23.—This farm has been divided and the reduction in rental would have been greater if it had been re-let as a whole.

No. 24.—The tenant now wants the rent reduced to £70, so that the reduction will be nearly 50 per cent.

No. 26.—A farm close to this one which was recently let at 25s. an acre is now in the hands of the owner, who cannot obtain a better offer than 5s. an acre for it at the present time.

No. 30.—Only last week I agreed to a further reduction of this rent, the amount now being £37.

No. 32.—Similarly I have agreed to a further reduction in this case, the future rent to be about £220.

No. 35.—The rents shown in the "present rent" column have only been obtained by dividing the farm, and I agreed to a further reduction of 5s. an acre on a part of the farm last week.

No. 36.—The greater part of this farm falls vacant at Michaelmas next, and I am prepared to take 15s. an acre for it, and shall take 10s. if I cannot get that.

No. 40.—This is a dairy farm, adjoining a town, and the tenant cannot make ends meet even at the reduced rent; I fear I shall have to take 20s. an acre.

I am afraid it would not be difficult to obtain you a large number of similar statements from other land agents.

Devonshire, which up to the present has been one of the last counties to feel the depression, is now beginning to suffer, and only a week ago I had a letter from an agent and valuer who has a large business in the county, and he states that many tenants are leaving—declining to pay the present rents—and are coming to the Midland and Eastern Counties, where they can hire farms at from nothing (merely by paying the outgoings) to 10s. or 15s. an acre.

The lands which have suffered most are the poor wet clays, and land only suitable for growing wheat; and really, at the present time, *bad* wheat farms are not worth having rent free.

Trusting this information may be of some use to you, even though coming so late.

Believe me, my dear Sir,

Yours very faithfully,

H. C. NEWSON.

DR. LEONE LEVI,

6, Crown Office Row, Temple, E.C.

APPENDIX C.

THE PROFITS OF AGRICULTURE AND THE NATIONAL INCOME.

TO THE EDITOR OF THE *Times*.

SIR,—We are greatly indebted to the Commissioners of Her Majesty's Inland Revenue for their full reports on the duties under their management. They might be content to publish the barest accounts of the amounts received under the several heads, but incidentally they become possessed of a variety of facts illustrative of the economic and social condition of the people, and they publish the same with much judgment and discretion.

Thus we have been in the habit for many years of looking at the amount of property and profits assessed to income-tax as one of the best evidences of the increase and distribution of wealth. In 1866 the late Mr. Ewart obtained, at my request, a return of the amount of property and profits assessed to income-tax under Schedules A, B, and D—that is, from land, agriculture, and trade in each county in England and Wales in the year 1814-15, and in each county in England, Wales, and Scotland in each of the years from 1842-3 to 1864-5. Similar returns have been published subse-

quently, extending to Ireland also; and this very year we have had Sir George Balfour's return in continuation of the same, while the totals under each schedule are also published in the statistical abstract. The gross amount of property and profits assessed to income-tax can only be taken, under any circumstances, as an approximate and partial indication of the amount of national income, because it only refers to incomes beyond a certain limit—now £150 a year—and because the gross income is subject to many deductions. Yet statisticians have taken the amount so assessed as, on the whole, the best way of solving a very difficult economic question, always supposing that the assessments under each schedule fairly represented the *bond fide* incomes of the recipients.

An error has, however, been clearly made in the appreciation of the amount returned under Schedule B—that is, of incomes assessed in respect of the occupation of land, for it appears that the returns hitherto made under this schedule, instead of giving the profits of agriculture, have only given the rental paid by farmers for their lands, the same sum, in fact, having been taken for Schedule B as is given under Schedule A for the income of landowners. The Commissioners of the Inland Revenue apparently take the rent of land as their working unit to arrive at the profits of farmers, which are assumed at half the rent in England and Wales and at one-third the rent in Scotland and Ireland. Hence when the income-tax was 5d. in the pound, farmers in England were charged at 2½d. in the pound, and in Scotland and Ireland at 1½d. in the pound. But could any one seeing the returns, have ever imagined that the amount of profits would have been left to be inferred from the rate of the tax? In the last income tax return (235 of 1885), as well as in the last report of the Commissioners of the Inland Revenue, a note is appended that the amount assessed represents the full annual value of lands, and that the income, “being the profit,” is by law deemed to be equal to one half or a third, as it may be, and that the tax is adjusted accordingly. No such note, however, appeared in previous returns or reports. Doubtless the produce from land must at least be equal to the rent paid. Only what is income for the landowner is payment for the farmer; his profits, like those of the manufacturer, consisting of the excess of produce over the expense of cultivation, including rent, interest of capital, labour, manure, &c.

Calculating the profits at the rate indicated, the total amount in 1883-4 would be £29,947,000, instead of £65,514,000. With good reason, therefore, Mr. William Fowler, M.P., and Major Craigie called public attention to the excessive amount put forth as the produce of land by statisticians of the highest order, on the authority of the public returns. But, if the amount of farmers' profits must be taken at so much less, the total amount of property and profits assessed to income-tax comes to be considerably less than is given in the official returns. For the year 1883-4 the amount would stand as follows:—

SCHEDULES.	OFFICIAL RETURN.	CORRECTED RETURN.
	£	£
A	193,344,924	193,344,924
B	65,514,180	29,946,997
C	40,580,574	40,580,574
D	291,336,955	291,336,955
E	37,733,566	37,733,566
	£628,510,199	£592,943,016
Deduction to be made		35,567,183

It is much to be regretted that the corrected return should indicate a smaller income than was supposed. It should be remembered, however, that the extension of the limit of exemption in 1876-7 from £100 to £150 produced a difference of about £20,000,000 in the amount assessed. And that whatever amount of income is outside the pale of the income-tax must be otherwise estimated and added to the sum so assessed, whether the income obtained be from land, farmers' profits, trade and professions, dividends, salaries, or wages of labour.

May I be permitted to add that too much importance cannot be attached to the financial returns produced from time to time for either Houses of Parliament, and to the reports and statements put forth by financial and other revenue boards. They ought to be not only framed in accordance with the demands of statistical science, but so expressed that every word, such as income, profit, and the like, shall be used in its strict scientific meaning.

I have the honour to be, sir,

Your obedient Servant,

LEONE LEVI.

5, Crown Office Row, Temple,
July, 1885.

THE "PEARS" PRIZE ESSAYS.

THE PRESENT DEPRESSION IN TRADE:
ITS CAUSES AND REMEDIES.

"Lente Currite."

BY

EDWIN GOADBY,

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THE PRESENT DEPRESSION IN TRADE: ITS CAUSES AND REMEDIES.

CHAPTER I.

THE CAUSES.

General Remarks as to Trade Depressions and the features of the present one—The Cost of recent Wars—Losses on Foreign Loans and other Investments—Gold and Silver Currencies—British Agricultural Losses—Foreign Competition—Excessive Production—The Limited Liability Principle—Trades Unions and Strikes—Social Changes—Political Agitation—Concluding Observations.

THE Depression of Trade is a convenient and vague phrase, under which we commonly hide our ignorance of the causes that produce a brisk as well as a slack interchange of commodities, a rise as well as a fall in prices. A brisk demand for all kinds of commodities is, in its own way, quite as involved in common obscurity as a fall in the demand. But there is not the same necessity for explaining it, and any kind of statement respecting it usually suffices. Trade depression, however, creates a morbid desire for theorising, which generally lasts until some signal revival is manifest, when we abandon our attempt to account for it, and the task is not resumed until another period of depression arrives. The general public is thus left in ignorance of the elementary principles of trade, in much the same manner as the laws of personal or national health give us less concern after their interruption has ceased. But were political economists permitted to exercise the same control over the morbid states of trade as we usually allow to physicians, there would be an earlier and a surer return to health and vigour. If we would understand the fall in trade, however, we must pay some attention to the rise in trade, the two being so closely connected that a survey of any considerable period shows us a series of changes

resembling hills and dales, or the wavy lines of the pulse as recorded by the sphygmograph. Contraction and expansion, buoyancy and depression, may be considered the two laws of trade, and probably they have been so ever since there was any trade in the world at all.

Famine and war were undoubtedly the chief causes of the depressions of earlier times. The failure in the supply of food might be due to floods, intense heat or cold, or to the ravages of pestilence upon the cultivators of the soil, or their flocks and herds. Whatever enhances the price of food, or lessens its supply, will diminish the demand for other articles of trade and commerce, and cause a surplus of products, or a surplus of labour that would otherwise be employed in their manufacture. A settled relation between high food prices, and low prices for other things, cannot now, however, be regarded as having anything like the certainty it had in former times, or in quite recent speculations. A more complete and facile distribution has prevented a recurrence of the great famines of former ages. The surplus of one Continent is made to meet the deficit of another. Is it not possible, it may be asked, to eliminate trade depression, as a surplus of undemanded labour or products, in much the same way as we have practically averted real famine? The attempt is constantly being made, and, in one view of it, international distribution is an effort to equalise advantages, the more successful as it is allowed the greater freedom. The second cause of the older trade crises was—war. Whole populations abandoned their ordinary pursuits to invade a neighbouring country, carrying with them “fire and sword, red ruin, and the breaking up of laws.” Large districts were ravaged, property was seized or destroyed, and whole peoples were enslaved, to labour for their conquerors. Famine and pestilence often followed war and conquest. The acquisition of new lands enriched the conquerors, and a period of prosperity and luxury followed. Commercial development was thus constantly associated with war, even though it impoverished the conquered people. In their turn, some of the hardier races swept down upon the civilised and enervated nations, and grew rich with the spoils of a more settled social and commercial state. The commercial Republics of the Mediterranean afford us another example of the causes at work in producing and hastening the fall of military empire.

Acting within these larger causes, and reaching down to quite modern times, were two natural forms of action and reaction. The long summer days stimulated production, and when effective means of artificial lighting did not exist, there was a regular contraction in the winter. Communication was also interrupted for several months in the year, and the merry games of winter survive in our traditions as indications of an enforced leisure now rarely enjoyed. Under modern conditions we have overcome

famine, we have successfully battled with darkness, and our means of internal and external traffic are almost independent of the weather. But war remains, and it is not less but more hostile than formerly to orderly and profitable commercial development.

A peaceful state of international relations is a primary cause of good trade. External trade has become so important, that few countries can fence themselves round with an unpierced wall against the inlet or the outlet of raw or manufactured products. Seas and straits, once the causes of division, are now the means of union and intercourse. The Mediterranean served for Carthage and the commercial Republics, as we now use the larger and formerly untraversed oceans. As a highly organised body is sensitive to slight disturbance in any of its parts, so the commercial world is now affected by all kinds of perturbations, in regions remote from the centre of the greatest activity or the greatest wealth. Lancashire was smitten with a cotton famine, whilst the American Civil War raged; our supply of nitrate of soda was diminished during the struggle between Chili and Peru; and the cigar trade was suffering as long as Cubans were in revolt against Spain. Capital, again, is always seeking investment where it pays highest interest, and the older countries, where capital is abundant and interest low, are constantly lending money to younger or less developed countries, where interest is high because capital is scarce. So many countries in Europe, moreover, are now partly dependent upon foreign food supplies that we have here another plane of action for the play of sympathetic causes. War, consequently, becomes an increasingly serious disturbance. It may lead to profitable annexations, to the suppression of predatory tribes, to the settlement of disputes inimical to orderly progress, and in these respects prove to be of valuable service. But long periods of peace are necessary to enable us to reap its natural fruits, to extend roads and railways, to develop industries, and to wean the warrior races from their unsettled mode of life. Capital is as shy as a gazelle, and it will not rest or range except in quiet and peaceful regions. We might almost say that peace is the only condition of good trade, for many of the jealousies and competitions which mar it are either the direct result of war, or spring from the temper which leads to it. Protective tariffs followed the wars of the European revolution, the American Civil War, and the war between Germany and France. Colonization by war, it may be added, is now rarer than it used to be; we are content to protect commercial enterprise, and the merchant precedes the soldier and the Colonial Governor.

The note of our modern trade is its internationalism. At a certain period of development, external trade becomes as necessary as air is to a growing plant, and it will increase in an

almost equal ratio to domestic trade, unless checked by the various causes which diminish home production or disturb foreign demand. Domestic trade may be prosperous, and yet foreign trade may suffer, and *vice versa*, but as foreign trade becomes increasingly important, with systematic internal growth, the check to it is certain to injuriously react upon domestic industries, and the general well-being. Trade is good when a country is busily engaged in making the best of its natural resources, and the power they give it to work up imported materials, and the demand for its products is stable. It will continue so until its domestic condition is affected by bad harvests, by political or social convulsions, by pestilence, or by the increasing cost of raw materials, and until its international relations are affected by similar disturbances in other countries. There is, accordingly, always a large area of uncertainty, and for the play of favourable and adverse forces, without taking into consideration the minor and resulting causes of such things as tariffs, currency difficulties, wild speculations, and the like.

A country like Great Britain, with interests in all parts of the world, with so large an amount of the carrying trade of the sea in her hands, and with so much money invested in foreign loans, railways, docks, water-works, mines, and other commercial undertakings, must vibrate quickly to every adverse or favourable movement. If foreign countries suffer, we usually suffer with them, in the end, though our exports may augment for a time. Whilst they are engaged in killing each other's people, we may acquire a larger share of the world's trade, as we obtained nearly all the carrying trade of the United States during the civil war; but, as the increasing prosperity of our neighbours is better for us than their impoverishment, it turns out that a few years of brisk business are but a poor compensation for many succeeding years of feebleness and contraction. Hence, as the present Lord Derby once said, "the greatest of British interests is the interest of peace."

The peculiarity of the present depression, as far as England is concerned, is that it cannot be traced to any single cause. No one can say, with anything like accuracy, that it is wholly due to one event, or to one stream of tendency. A potato famine, or an undue absorption of capital in building railways, or the formation and collapse of bubble companies, or the destruction of some special branch of trade, here or abroad, have been assignable as the antecedent causes of trade depression in the past. But we cannot be so distinctive with regard to existing troubles. Agricultural calamities at home will not obviously account for the decline in the value of our foreign export trade, any more than the excessive cultivation of American wheat, if it may explain low prices in England, will enable us to understand the distress in the iron trade, or the laying up of so many

tons of idle shipping in our cargo ports. The increasingly complex character of our trade makes it less possible for us to suffer from a single cause than formerly, unless that cause be war, but it renders us more sensitive to such general influences as operate over large areas, and nip it a little at various points, as a keen frost lessens the rush of flood-water from an upper to a lower valley. As Great Britain does the largest amount of the trade in the world, it becomes a delicate instrument for recording variations, and indicating the nature of the influences at work in distant or neighbouring countries. How far these facts will affect our future commerce, cannot be positively ascertained, but they do not promise us immunity from commercial crises, if there are other facts which warrant us in believing that we shall pass through them more rapidly and with less suffering.

A second most important fact in connection with the present position of affairs is, that we cannot be said to have lost our trade because some other countries have taken it from us. The depression is wide-spread, and it is as keenly felt in America as it is in Europe. One hundred and twenty-one banks failed there last year, and business failures amounted to 50 millions. Agriculture is suffering in the United States quite as much as it is in Germany, France, Austria and Russia, if not quite so keenly as it is in England. The American iron trade is no better than our own. The French silk trade is not more prosperous than the English cotton trade, and the same may be said of a large number of other industries. If we look at the large towns, as indexes of miscellaneous industries, or as representing the centres that attract unemployed labour, the same sad tale has to be told. New York is as badly off as London, Paris and Lyons are, as full of discontent as Berlin and Vienna. The almost universal fall in prices is a revelation to us that general causes are at work, operating over large areas, and not to be explained by a single formula.

The first cause we shall find to have been at work, and to be still acting, is—

THE COST OF RECENT WARS.

We seem to have passed out of a period of comparative peace into one of "wars and rumours of wars." Between 1861 and 1880, more money was spent in war than in the stormy period from 1790 to 1820. The cost of the great revolutionary campaigns was £1,250,000,000, and the cost of the wars we can all remember, in the more recent period, reached a total of £1,329,000,000. Between 1851 and 1861, the war expenditure of the principal States of the world was only £350,000,000. It

is important to bear these facts in mind as affording us the clue to what is sometimes conveniently called "the automatic increase of expenditure." Inherited obligations have to be met, and though their burden may be diminishing, the addition of new ones makes us painfully conscious of them. The extra military expenditure of the European Powers, in and out of Europe, from 1870 to the end of 1884, was as follows :—

COST OF WARS.

FOREIGN.

Franco-German War	£316,000,000
Russo-Turkish War	190,000,000
Russo-Asian War	45,000,000
Tunis, Tonquin and Madagascar . .	6,500,000

BRITISH.

Franco-German Special Vote	1,451,097
Russo-Turkish Special Vote	3,500,000
Alabama Claims' Payment	3,196,875
Abyssinian War (Remainder)	205,000
Ashantee War	927,000
Zulu and Transvaal War	4,821,000
Griqualand and Sekukuni War	472,000
Egyptian Expedition (1st)	3,895,000
Perak War	45,726
Indian Grant for Afghan War	4,500,000
Alexandria Indemnity	4,000,000
Egyptian Expedition (2nd) and Bechuana- land War	2,647,000
Total	<u>£587,260,898</u>

This sum is exclusive of the cost of French operations in Tonquin, and of British operations in Egypt, for the financial year 1885-6. It is an immense total, exceeding by 119 millions the amount spent in war by the civilised countries in the world from 1821 to 1860, given by Mulhall as 468 millions, exceeding by 37 millions the entire annual expenditure of the whole of the Governments of Europe, according to the latest available returns, and only 55 millions short of the amount of the Funded Debt of Great Britain, as it stood last year.

We may, it is true, expect a long period of peace after the present military fever has spent itself, but we cannot emerge from it without embarrassed finances and injured trade. If we pay our way in England, from year to year, France will probably not do so, and Russia flies to paper money when loans cannot be obtained. Virtue in finance, moreover, is very hard when there is the interest on past viciousness to meet, and we

are suffering from other causes of depression. Every warlike outbreak makes it difficult for us in this country to contract our army expenditure to the old peace-level. The settled peace level we may take to be the expenditure of 1869, when it was a little over 13 millions. For the current year, omitting extras, Lord Hartington's estimate was £17,370,000. The five great Powers of Europe retain some two millions of men permanently under arms, at an annual expenditure, with the cost of the navies added, of 171 millions.

It is not contended, of course, that all this expenditure has no effect upon special trades. It goes in food, clothing, guns, rifles, ammunition, shipping, pay, and other things. For a short time, after the Franco-German war, there was a marked inflation of prices, such as war almost invariably produced in former times, but it was not so marked, if perceptible at all, after the Russo-Turkish war, whilst nearly all our British expenditure has been coincident with, and succeeded by, a period of low prices. A great war, indeed, would seem to have less effect in injuring British commerce, if not directly concerning us, and leaving our raw material untouched, than a series of minor troubles, in several parts of the world, or of our Empire, calling for comparatively small expenditure, yet fluttering all our Foreign and Colonial relations.

The indirect effect of war upon national well-being, however, cannot be shown by a tabulated expenditure, which never represents more than half the cost. The money-waste, in its turn, is only a part of the total loss. The effects persist long after the storm has ceased. Good may be done, but the evil is registered in crippled, domestic, or unremunerative foreign, trade. The costlier military establishments of France and Germany tell their own story, and constantly recurring scares show us how unstable is the condition they create or hide. Russia, owing to the poverty of Turkey, has not derived the advantages from the payment of a large indemnity that Germany did, and her recent condition has been one of chronic financial deficit. In his Budget for 1883, the Finance Minister acknowledged that the scheme of raising more money by augmenting the customs duties had been a failure. Turkey is visibly poorer, and our trade with her is declining. Afghans and South Africans are taking fewer British goods. Our Cape trade has fallen £2,525,780 since 1880. The Tonquin war has seriously affected Mincing Lane markets, and it is still more likely to do, now rice, contrary to M. Pothier's description of the difference between *munitions de guerre* and *munitions de bouche*, has been declared contraband of war.

Reactionary tariffs have succeeded the recent European wars. Germany and Russia, and France and Germany, have been playing at diamond cut diamond, and Austria is meditating a

hostile tariff, in reply to Germany and France, certain to tax several French goods out of Austria altogether. Revenue must be had, and trade is therefore "encouraged" by devices that seem to be the logical curse of militarism. Under the plausible pretence of fostering "native industries," wily statesmen conceal the cost and soften the direct burden of their armaments. Injured trades are promised help against competing imports, and the nation goes back to an unsound fiscal system. Mischief always follows this cossetting of special industries. The constant stream of emigration from Germany to the United States may, whimsically enough, strike Prince Bismarck as a sign of working-class prosperity, but it impresses every English observer as a sign of the reverse. There is no evidence of any returning savings, as in the case of British emigrants. France is getting poorer, in spite of the toilsome thrift of some of her people. All her industries have suffered under Protective rule. M. Clemenceau has, indeed, in the face of M. Ferry's Government, carried a motion for an inquiry in the causes of "the Economical Crisis." The Report will be interesting, when it appears. But, in the meanwhile, thousands of working men are starving, corn and cattle are being more heavily taxed, the yield of the 3 per cent. tax on interest and dividends ominously falls, the direct taxes decline, and financial embarrassments multiply. Moreover, it is not possible to strike a balance and say, that if the poverty and industrial depression of Germany and France have gravely affected us of late, we reaped so much benefit from the war that, if the extra business done in 1870-4 were spread over the succeeding years of depression, the average would then be about the same as before the war broke out. As M. Wolouski has pointed out, the French indemnity had a magical effect upon the German people, throwing them, as under the influence of Zanolini's vapours, into all kinds of rash enterprises and speculations, certain to end like bubbles. Austria caught the enthusiasm, and has not yet recovered as much as Germany has done. Our trade with Austria is less now than it was in 1868, 1869, and 1870. The partial revival of trade in 1880-1 plunged France, weary with so much waiting for better times, into a fever of financial speculation. In 1881 new capital was subscribed for undertakings amounting to 93 millions. The crash came, in 1882, with the failure of the *Banque de Lyon et de Loire*, followed by the stoppage of the Catholic Legitimist Financial Company, the *Union Générale*, and the spread of panic to other countries. The reaction from this financial outburst has been intense and ruinous. The persistence of this European, war-created depression, has been a powerful addition to the embarrassments our own military expeditions have caused.

LOSSES ON FOREIGN LOANS AND OTHER INVESTMENTS.

The abundance of Capital in England is not unattended with disadvantages. A benevolent desire to develop backward countries gilds the wish to obtain high rates of interest. Plausible prospectuses tempt men to hand over their money to financial agencies, and, if they receive good interest for a time, they are blind to the risks they run, and the certainty of ultimate collapse. A good deal of the trade-inflation of 1870-3 was due to the stimulating effect of English money in several States. The South American Republics enjoyed a fleeting prosperity, as did some of the effete States of Europe, as long as loans could be placed on the London market. Not less than 54 per cent. of these loans were in default at the time the House of Commons remitted investigation and exposure to the Committee of 1875. For some years prior to 1882, Spain was also a defaulter. The worst cases, however, were the Honduras Loans of 1869-70, the Costa Rica Loans of 1870, and the Paraguayan Loans of 1871-2. The four Honduras Loans amounted to £5,398,570. No interest has been paid upon them since 1873. The Annual Report of the Corporation of Foreign Bondholders for 1884, presented March 3, 1885, says that, "in order to estimate the chances of a settlement of the (Honduras) Bondholders' claims, the fact should be borne in mind, that whilst the annual interest on the four loans amounts to about £500,000, the revenue of the Republic has never reached £250,000 per annum." The pitiable plight of the English investors could not be more graphically described. The Costa Rica loans, amounting to £2,688,000, have paid no interest since 1873, and the overdue 6 and 7 per cent. interest upon them amounts to £2,116,824. The Paraguayan loans, at 8 per cent. amount to £1,505,400, and interest due, and unpaid since 1874, is given at £1,200,000. Besides these, the following arrears of interest on foreign loans are noticeable:—Columbia (1873) £555,692; Ecuador (1868) £310,080; Guatemala (1856-69) £295,951; and Peru (1870-2) £217,756; total £1,379,479. No interest has been paid, moreover, on the Mexican debt of £15,106,450 since 1869, or on the Santo Domingo loan of £714,300 since January, 1873.

But by far the most serious financial collapse was that of Turkey. The larger part of all the loans, upon which she had been living for many years prior to the revolt in the Herzegovina, was held in England. The upper, professional, middle and commercial classes, had invested their money in civilising the Ottoman Empire, to compensate us, in part, for our loss in protecting its integrity by arms. The issue prices were tempting

Between 1854 and 1874 the loans raised had a nominal capital of £223,196,740, the highest issue, in one case only, being 102½—the 4 per cent. loan of 1855—and the others varying from 85 to 50. Investors who lent the money were actually receiving from 10 to 11 per cent. on the sums they had advanced. The collapse of 1876 was most remarkable in its effects. The London repositories were full of discarded carriages, horses were given up, hunters sold, racers sent to Tattersall's, establishments contracted, and men who had fancied themselves rich found themselves poor. The retired middle-class suffered terribly, and many families have never recovered from this sudden contraction of their incomes, caused by an absolute failure in interest which lasted from 1876 to 1882, since which date 1 per cent. has been payable. In a short time after the Turkish collapse, came an Egyptian financial crisis, which ended in the reduction of interest payable in France and England, and a loss, in the gross, of between three and four millions per annum.

These losses, upon what were formerly good investments, have very materially affected a large number of families. Enforced economies of all kinds have had to be practised. The summer visit to a watering-place or health resort has been contracted; and from all such places comes the same cry—that “the season is shorter than it used to be.” Building operations in many of these places, which expanded from 1870 to 1875 in a remarkable manner, have ceased, leaving empty houses on hand, and throwing more men on the labour-market. In one case, the Parliamentary Register had recently lost 200 men, fathers of families, in this way. Everywhere a check has been given to the erection of houses for the better sections of the middle classes. Expenditure upon clothing, and upon all articles of luxury, has been rigorously curtailed. These facts, indeed, enable us to understand some of the more obscure aspects of the prevailing depression, which are not to be explained by dissertations on over-production, or methods of distribution, or the fall in prices. American investments deserve a word or two. In spite of the railway collapse of 1873, and the Erie Railway crisis of 1875, there have been large investments of British capital in the United States. In one case we know of, an English merchant is making a handsome commission out of moneys he is placing out in American enterprises for his friends in England. Mr. Samuel Pope, Q.C., at the annual meeting of holders of American bonds and shares in England, held March 17, said that, “Of the entire capital invested in American undertakings, it was calculated that not less than £150,000,000 was held in this country.” Upon these investments, always fluctuating immensely, there have been heavy losses. Excessive gambling in stocks, the “pooling” of railway lines, the formation of “rings” to obtain an artificial enhancement of prices, the “booms” which are started when-

ever the outlook brightens, all contribute to a feverish financial state, bad for investors, bad for trade, and bad for everybody. Less intimate financial relations with the United States would give more stability to our Stock Exchange and our commerce.

The sudden giving way of public scepticism in England as to the use of electricity was followed by an extraordinary belief in the supersession of coal-gas, and a grave depreciation of gas properties. We have ascertained that, between 1875 and the end of 1883, the amount of capital embarked in electric lighting companies, of various kinds, in Great Britain, was £12,919,264. This is more than double the amount generally believed to have been subscribed, and the effect of so large a sum will be understood when we add, that the whole of the money called up on gas-shares in the United Kingdom is under thirty millions sterling. A large temporary depreciation in gas-shares was occasioned by this large commitment, and it was some time before a recovery set in. There is good reason for believing that from seven to eight millions of the money invested in electric light undertakings has been lost.

GOLD AND SILVER CURRENCIES.

The immense operations in currency of recent years have greatly disturbed trade. Germany has required 84 millions of gold to replace her silver coinage, Italy 16 millions, and the United States 100 millions. In the face of this demand for gold there has been a falling off in the supply. In 1852, the gold supply was 36 millions, whereas, in 1883, it fell to about 20 millions, of which it is calculated that 10 millions are annually required in arts and manufactures. In addressing the Bankers' Institute, in May 1883, Mr. Goschen, no mean authority, put the matter in this way: The demand for 200 millions of gold "will absorb the production not of ten, but of twenty years. That being so, economists will ask themselves what result is a phenomenon of that kind likely to have produced, and I think there is scarcely an economist who would not at once answer, that it was almost necessary, in accordance with the laws and principles of currency, that such a phenomenon must be followed by a great fall in commodities generally. But, in the same way as a large amount of gold poured in Europe in 1852, and the subsequent years, created a great rise in prices, so the counter phenomenon must produce a fall in prices." A series of figures was given to show this fall in prices, which might be quoted here if the fall were not so generally known, and the demand were not more for an explanation of the problem than a bare statement of it.

The loss caused by the depreciation in the value of silver has been manifest in all our Indian dealings. Prior to the fall in 1876, when it touched 47d. per ounce, two changes had occurred to affect the use of specie. The first was the employment of "Council Bills," equivalent to specie, by which traders settled balances due to India without sending silver. After payments on Indian railways ceased to be heavy, about 1870, during which time specie was exported to India, "Home Charges," as they are called, began to increase, until they rose from 2½ millions, in 1863, to their present level of 12 millions, or more. Mr. R. H. Patterson says: "This charge has been the most powerful of all the causes of the fall of silver. The Council Drafts being equivalent to silver, have correspondingly diminished the requirement for that metal, and have prevented the large export and utilization of silver, which would otherwise have occurred in connection with the Eastern Trade, &c., &c. Solely and directly in consequence of the trade with the East," he adds, in expounding the older conditions of trade, and the older relations of gold and silver, "as the new gold has flowed into Europe, silver has flowed out, and thus the increased commerce with the East has proved to mankind a double blessing: at once augmenting employment within the eastern and western worlds, and averting any great change in the value of money" (*Contemporary Review*, April, 1879). The second cause is the increased payments from Englishmen in India to their relatives in England, partly due to more troops being employed in India, and partly to the facilities the Suez Canal gives for sending children and invalids to England. Mr. J. M. Maclean, a witness before the House of Commons' Committee on Indian Finance, in 1873, said that "the amount of the annual earnings of Englishmen connected with India which are transmitted home cannot be less than 20 millions." The fall in the exchange value of the rupee caused a loss of from 4s. to 5s. in the pound on all sums so transmitted. The loss to the Indian Government must have been heavy, as it contracts to pay gold for interest, railways, pensions, military services, and the like.

Mr. Ernest Seyd had predicted in 1869 what ruinous consequences would ensue from the dethronement of silver as money. His pamphlet on "The Depreciation of Labour and Property which would follow the Demonetization of Silver" is triumphantly referred to by the Bi-Metallists as foreshadowing precisely what has taken place. The Liverpool merchants and bankers appointed a committee, in 1879, to investigate the silver question as affecting trade, and its conclusions may be summarised thus: That English investments had fallen in value "in silver using countries"; that future panics might be expected if silver were cut off as an agent of "international liquidation"; that the uncertainties of exchange prevented investments in the

public funds and various enterprises of silver countries; that "the friction and harassment now attending business" with India, China, Java, Austria, Chile, Mexico, &c., lead merchants "to contract their operations" and "to restrict the employment of English capital"; and that the fall of silver "seriously affects the power of silver-using States to purchase English manufactures, and leads to increased taxation, thus further curtailing the trade which has hitherto been carried on in English countries." The effect of the fall of silver upon our eastern trade has been ruinous, and there are no two opinions on the point.

BRITISH AGRICULTURAL LOSSES.

On the heels of the departing prosperity of 1870-3, and before sounder business had been established, came a succession of wet summers, with disastrous effects upon our crops. It seemed as if the sun had lost its powers, and as if there were a blight upon everything. Mr. Bear has displayed the effect of these bad seasons in an eloquent table of crop-yields from 1869 to 1878. "It will be seen," he remarks, "that of the whole ten years only one, 1874, was a strikingly good wheat year, and that only two other years, 1870 and 1878, gave approximately average crops of this cereal. The barley crop has been similarly unfortunate, having been satisfactory in but three years out of ten. Oats are only credited with two good yields and one indifferent result. Beans do not seem to flourish in this country as they did in old times, possibly owing to the improved drainage of the land. The most remarkable feature of these returns, however, is the recurrence of deficient cereal crops, and that alone is quite sufficient to account for the depressed condition of the arable farming interest" (*Fortnightly Review*, February, 1879). The more recent seasons, with the exception of 1884, have only been a shade better. Wheat-growing has not paid since 1874, and the fact is eloquently expressed in the reduction of the wheat acreage from four million acres, in 1869, to 2,613,000 in 1882. The growth of pasture steadily advances in Great Britain, at the rate of 260,000 acres a-year, the increase in seventeen years being 3,504,303 acres. Permanent pasture is increasing three times as fast as clover, and we fear, it must be added, that it has been deteriorating. Continuous wet seasons kill the more delicate grasses, and large floods spread the seeds of water-grasses, coarse in character, and aggressive in growth. The following table indicates the changes referred to—

	Permanent Pasture.	Corn Crops.	Green Crops.
1873	41·5 per cent.	30·4 per cent.	11·5 per cent.
1883	46·5 " "	26·6 " "	10·7 " "

With the growth of pasture there has been a considerable displacement of labour. Roughly stated, and subject to variations, attributable to machinery, and the like, one labourer is needed for every 25 acres of arable land, and for 125 acres of pasture. Large deductions must evidently be made from these estimates when we examine the census figures as to agricultural labourers and shepherds :—

	1861.	1871.	1881.
Labourers and Indoor Servants	1,072,702	898,731	807,608
Shepherds	25,559	23,323	22,844
	1,098,261	922,054	830,452

That pasture has not meant an increase of female indoor labour, as with more attention to dairy products would have been the case, is seen by the fall in their numbers from 99,156 in 1851, to 46,561 in 1861, and to 24,599 in 1871. In 1881 they are not distinguished. The surplus labour of our farms has flocked into the towns, lowering unskilled wages. During these terrible times, farmers have been paying rents out of capital. The Agricultural Commissioners did not think that the rise in rents prior to 1875 had been marked. The weight of evidence is the other way. Mr. John Clay put the increase for 18 years, prior to 1882, as 21 per cent. Sir James Caird calculates that, between 1867 and 1877, English rents rose £5,310,000, or 11 per cent. The following tables are from the *Economist*, and based on Schedule B :—

THE RISE. 1852-3 to 1879-80.		THE FALL. 1879-80 to 1882-3.	
England and Wales.	10,468,347—25·4 per cent.	3,356,568—6·5 per cent.	
Scotland . .	2,362,243—43·6 " "	204,054—2·6 " "	
	12,830,590—27·5 " "	3,560,622—6·0 " "	

Corrected figures for later years, and other amendments, would most likely reduce the rise to 25 per cent., and increase the fall to 10 per cent. The table is useful as illustrating the rise which drew so many shopkeepers into farming between 1852-5, and the loss that must have taken place in the in-comings of landowners, now farming their own farms in many cases. In East Lothian alone, the *North British Agriculturist* says, there are fifty such farms, and similar figures reach us privately from other counties, especially where there is poor hilly, or old moor land, broken up for wheat in the days of the Corn Laws, and the Revolutionary wars.

Estimates differ as to the loss of farming capital. Lord Beaconsfield put the loss on the harvest of 1876, alone, as 26 millions. Mr. Shaw Lefevre has worked out the loss on the wheat crop alone, comparing the six years, 1875-80, with the years 1869-74, and the amount reaches £78,000,000, made up as follows:—Reduction of acreage, £31,000,000; reduction of produce per acre, £31,000,000; reduction of price, £16,000,000. Mr. Giffen has estimated the harvest deficiency in 1878-9-80, at 12 millions annually, and the annual loss to British farmers during that period at from 14 to 18 millions. Taking imports as a food basis, Sir James Caird has reached a total of £138,828,000 of farming capital as lost between 1875-80. Unfortunately, the loss did not cease with 1880. The liver-fluke in sheep was very disastrous between 1880 and 1882. In 1879, there were 28,157,080 sheep in Great Britain, but, in 1882, the number had fallen to 24,319,768—a diminution of 3,837,312. After the liver-fluke came a smart epidemic of foot and mouth disease. The effects of this loss have been widely diffused. Landowners, with settlements and annuities on their land, have been straitened, and are deeply indebted to local banks, whose future cannot be regarded with perfect safety in consequence. The farmers themselves have stopped the purchase of implements, spreading distress over the machine market; they purchase the lower-priced manures; they farm poorly, and they contract all domestic outlays. Tradesmen have had to give longer credit and take fewer orders. Expenditure upon the more costly improvements has also ceased. Drainage goes on, but farm-buildings are deteriorating, and choked water-courses readily cast up the flood-water on the land. Failures and emigration complete the story of ruin and despair.

FOREIGN COMPETITION.

Considering how much is said about foreign competition, it is astonishing how small is the amount of depression it will really explain. At the worst, it is no new thing, and all our prosperity has been won in the teeth of it. The phrase readily lends itself to that ringing of the changes which marks ill-informed discourse about complicated questions. Sometimes, it merely means, that we cannot grow all the wheat we consume, and it becomes a growl about the hunger of 36 millions, who decline to live upon nine loaves of British-flour made bread, when they can add to them sixteen other loaves, made of foreign wheat. At others, it is a kind of apology for indifference, or for surrendering ourselves to circumstances, as in the matter of cheese, butter, and cattle. It is much to be feared that, occasionally, it is a half confession that we are not maintaining our art and skill in parallel lines to the tastes and needs of the time. For the most part, however, the tune shifts from the effect of new Continental tariffs upon our exports, to the importation of foreign manufactured goods.

Is our trade with other countries less free than it was? Lord Sandon's Return of the tariffs on our commerce for the years 1860, 1870, 1875, and 1880, is a valuable armoury of answers to the question. It shows that, in 1860, our European commercial treaties gave us the most favoured nation treatment in eight out of sixteen States, whereas, in 1880, only two countries withheld that privilege, and each one was ready to grant it hereafter. Greece and Italy are the two Powers referred to. The former made several modifications in our favour last year, and the latter, in her present cordial mood, is certain to improve the existing treaty when it expires. The tariffs of 1860 contained 2,140 articles; and of this number 136 have been raised, 61 of them on yarns, raw materials, and food, 20 on spirits, 19 on tissues, and 37 on minor and miscellaneous articles of manufacture. Wool and yarns are the articles on which Russia and Germany have increased their tariffs. Of the other articles, 900 have remained the same, and on 1,104 articles the tariffs have been either reduced in amount or abolished. Of our nine Colonies exercising fiscal independence, only two—Canada and Victoria, have protective tariffs, adverse to our goods, but they do not keep out our manufactures any more than do the tariffs of the United States. It cannot, therefore, be said that the area of tariff-resistance is increasing against us, or that competition is aggressive and fatal.

Mr. Ritchie's Return has done us an equal service on the question of imported manufactures. The gross amount at which they are valued has to be dissected down, and the raw

materials, and partly manufactured articles, used up again by us in other forms, cut away. In the one class, are such things as skins, hides, pigments, turpentine; in the other, raw sugar for refining, sawn timber, and other matters. Toys, watches, musical instruments, books, pictures, millinery (often simply patterns), embroidery, and lace, may be regarded as innocent articles of import. They amount to about a million and a half a year. Our table excludes them, the better to deal with staples, in a convenient form:—

MANUFACTURED GOODS IMPORTED BY THE UNITED KINGDOM.

	1873.	1877.	1880.	1883.	1884.
Cotton Goods... ..	1,660,000	2,144,000	3,169,137	2,333,689	2,235,800
Silk „	10,260,000	12,969,000	13,324,935	10,501,966	10,976,836
Woollen „	5,458,000	7,090,000	9,610,488	8,220,040	9,601,183
Glass „	1,463,000	1,908,000	1,778,472	1,508,579	1,618,824
Iron „	1,008,000	1,537,000	3,700,271	4,164,210	3,948,928
TOTALS	19,849,000	25,648,000	31,583,303	26,728,484	28,381,571

In woollen, iron, and cotton there are evidences of increased import, but we have to bear in mind; (1), that the percentage of manufactures to total imports, which stood at 7 per cent. from 1867 to 1869, rose to 9 per cent. in 1870, a prosperous year for all our industries, and, after some changes, remained at 8 per cent. from 1877 to 1880, is now, or was last year, notwithstanding low prices, as affecting our import values, under 8 per cent.; (2) that from 10 to 12 per cent. of these imports are for re-exportation to other countries, and so constitute a part of our entrepôt trade; (3) that all American manufactures for South Africa pass there *via* England; (4) that our own manufactures retain the same proportion to the rest of our exports as they did when we imported fewer manufactured goods; (5) that, in woollens, which bulk the largest in the list, we import yarns at a relative cheaper rate than we can spin them, to use for our own manufacturing operations; and (6) that in the first two months of the current year, our import of manufactured goods exhibits a comparative decline of £93,441, in correspondence with a decline in our general industrial activity.

We have been curious to see the effect of tariff changes on our exports to France, Germany, and Russia. The following table, beginning with the year of transition, and omitting the reactionary years, is useful as disclosing present tendencies:—

BRITISH EXPORTS TO COMPETING COUNTRIES.

	1870.	1880.	1881.	1882.	1883.	1884.
France...	11,645,000	15,594,000	16,970,025	17,421,212	17,567,512	16,703,063
Germany	20,243,000	16,943,000	17,431,439	18,518,024	18,787,635	18,676,923
Russia ...	6,993,000	7,953,000	6,165,077	5,771,847	5,036,614	5,016,793
TOTALS	38,881,000	39,489,000	40,566,541	41,711,083	41,391,761	40,396,789

It will be seen that, even with the immensely reduced prices of last year, our export trade to France was greater than in 1880 by £1,109,063, and our shipments to Germany greater by £1,733,923. This scarcely looks as if we were being killed by French and German competition in French and German markets. Further, a good deal of German trade passes through Holland. The cotton, iron, and woollen goods sent by us to Holland in 1883 amounted to £5,108,718, against £3,645,476 in 1880, leaving a balance in our favour of £1,463,242. The inference from these figures is the very common one, that industrial activity cannot increase in one country without developing trade with another. The import of manufactured goods into France has nearly doubled in the last ten years. In 1873, the amount was £15,350,680; in 1883, it was £28,178,000. The increase has been in machinery, iron ships, metal goods, woollens, cottons, and leather. But the export of manufactured goods has declined. In 1875, the amount was £85,556,280; in 1883, it was £72,550,640; and last year it was £68,892,440. In Germany, with a large show of activity, the Chambers of Commerce say that trade has not been improved by Prince Bismarck's economic heresies, though their reports have now been burked, because the truth was unpleasant.

Upon some special industries foreign competition is, however, distinctly traceable and depressing. In the iron and steel wire business, German competition was acute until wages were lowered in this country. In the iron trade, generally, Germany is pushing her wares in the East. Mr. J. Lowthian Bell, in a paper read at the Industrial Remuneration Conference, stated that formerly we had the iron export trade of the world almost entirely in our hands. In 1882, the exports of pig, malleable iron, steel, and machinery, were as follows:—

Great Britain	4,828,803
The Zollverein	1,134,104
Belgium	529,464
France	137,741
United States (estimate)	200,000

That is, for every 100 tons exported by us, 40 tons were exported by competing countries. Increasing competition might be expected. Belgian iron is more frequently heard of in this country than any other, but it will be seen how comparatively insignificant was the export in 1882. Neither in Sheffield nor Birmingham hardware, however, is there any effective competition. Neutral markets generally find us in full strength against our iron-making competitors, and most of the railway lines in the United States are built of British rails.

Of American competition in cotton goods we hear very hysterical shrieks now and then. Parade is made in Manchester of underselling under the eyes of our cotton kings, and stories of marvellously cheap bargains in drills and sheetings reach us from our Colonies and from the free ports of China. But what is the explanation? This,—that American cottons are only exported when the American market is down to zero. An American, Mr. J. Schoenhof, in his book on "The Destructive Influence of the Tariff,"* writes: "During the bad times, between 1876 and 1879, I have seen as many as 8,000, and even 10,000 packages of cotton goods sold at one auction sale. The same process is repeating now in 1883. Auction sales in staples of 10,000 and 15,000 cases. Of course, the goods were sacrificed in order to make room in the storehouses for new goods of the same character, although the home trade had been supplied with goods in advance of the season. The consequence was the same as now, depression constantly increasing. Had they been dumped where the sea is deepest, the result would have been less disastrous to all concerned—manufacturer, jobber, retailer, and working people." The tariff kills export by forcing up prices. Where competition is tried, in neutral markets, as between the United Kingdom and the United States, in Central America, the result, as shown in 1880, comes out as follows:—British cotton goods, 51,235,000 dollars; American cotton goods, 3,899,400 dollars.

What is called the competition in wheat has two sides—the one we see in England, where the farmer cannot supply half the demand; the other, seen in the competition between wheat-growing countries to supply us with the remainder. A fuller knowledge of the latter would lessen our apprehensions respecting the former. Rural Russia is suffering terribly from wheat competition with Roumania, India, and the United States. The poor down-trodden peasants are constantly in revolt. In the Western States of America, the farmers are getting into debt. They must sell their wheat at any price. Competing lines begin a freight war, do a large business at ruinous rates, and then pass, as 40 of them did last year, into the hands of receivers. It

* New York Free Trade Club, 1884.

is impossible this kind of competition can last. As to shipping-bounties, they may be ruled out as having no effect. They have not improved American shipping in the least, and new lines cannot stand against British ships. "If you protect the production of ships, in so far you limit their use," remarks Mr. G. Baden Powell; "and if you protect the use of ships, in so far you limit their production."* American bounties illustrate the working of each phase, and the French bounty is about to do so, in a very ludicrous manner. There is a bounty on French tonnage to increase distant commerce, but, by recently increased duties on corn and cattle, these voyages will be less numerous. The ship-owners get a tax on the general community to help them bring in goods (it amounted to £560,000 last year), and then the goods are taxed in order that they may not be brought in! The Delegation from England of the United Society of Boiler Makers and Iron Shipbuilders that was sent to France to report upon ship-building competition last year, found that there was no competition. M. Chaigneau told them that "Nobody in France at present can possibly compete against the shipbuilders in England." They add, as their own opinion, that "the ship-building trade in France is about in the same condition as it was in England some 25 years ago."

The struggle between cane and beet sugar has now reached a point when both feel it acutely. The cane-croppers have suffered severely, but so have the beet-producers. A report on the Pomeranian beet-sugar trade has been just issued from Consul Dundas, in which there is much comfort for the cane-planter. Low prices are killing the trade, and tend "to bring down the price of beets to such an extent as to render their cultivation profitless." The sugar tax, less export bounty, produced less last year than it has done since 1878. Our West Indian sugar-growers will most likely profit by the proposed lowering of the American sugar duties, and any gain to them would react upon the whole trade. The general consumer in England enjoys the benefit of cheap sugar, chiefly from the Continent, and bounty-fed, whilst our own sugar industries, though not doing much amiss, are still not advancing as they promised to do some years ago. It is a noteworthy effect of protective duties and bounties that sugar should be twice as dear in France, Germany, and Austria as it is in England, and making no headway, as a food for the people. With improved machinery, and better education amongst the workers, our West Indian sugar-growers have still before them a large field for remunerative and successful competition, whilst there is great force in Mr. G. Baden Powell's final deduction, from an exhaustive survey of the sugar-bounty question, that "surveys sugar refiners, despite the real effects of

* State Aid and State Interference, p. 67.

bad times and low prices, and despite the more suppositious effects of bounties, are doing far better than the refiners of these bounty-protected States."

EXCESSIVE PRODUCTION.

Taken alone, not even over-production, as it is called, accounts for the depression. The question arises, What is over-production, and by what standard is it to be tested? There is excessive production when the supply, or the rate of supply, exceeds the actual or possible demand. A manufacturer, making winter goods in the spring, or early summer, reckons upon a coming demand. Another making for the foreign trade calculates upon the maintenance or increase of the market demand. In the one case, the demand may fail, owing to a mild winter; in the other, it may slacken, from some special cause; but in neither case is there excessive production. Production must be to some extent speculative, but it usually cures itself by lower prices and poorer sales. Every wave of prosperity increases our productive power, inferior seams of coal are used, new pits are opened, inferior ores are smelted, more machinery is made, more labour is employed, more capital is invested. The rate continues until the demand falls, when it is checked. Whatever destroys this sympathy, this commercial polarity, may cause over-production. It may be affected in four ways—(1) by the reluctance of manufacturers to close their works, and disperse their workpeople, even if profits are small; (2) by a competitive desire to maintain a trade-speciality, or an acquired position, or a given market; (3) by the power which accumulated capital gives in enabling a manufacturer to withstand the fluctuations of the market, and to push himself into new ones; and (4) by the effect of protecting duties and bounties in stimulating output, and compensating for lower prices out of general taxation.

In the English shipbuilding trade, we can distinctly see an excessive and injurious production. The tonnage built for several years past is seen to be as follows:—1880, 796,221 tons; 1881, 1,013,208 tons; 1882, 1,240,824 tons; 1883, 1,329,604 tons; 1884 (a reactionary year), 820,000 tons. The carrying capacity of sailing and steamships has also to be considered, the latter doing three times the work of the former. Mr. Stephen Williamson, M.P., has put the matter in this way (*Fortnightly Review*, January, 1885):—

	1875.	1883.
Sailing ships . .	4,144,504 tons	3,471,173 tons.
Steam, 1,943,197 tons, multiplied		(3,725,229)
by 3	5,829,591 „	11,175,687 „
Joint capacity .	9,974,095	14,646,860

The consequences of this excessive production are seen in the laying up of vessels for want of cargoes; in the heavy fall in dividends on shipping shares, with cessation in some cases; in excessively low freights, not altogether a bad thing when general prices are so low; in the distress of our shipping ports, where 59,200 persons were at work last year instead of 94,700 in 1883; and in the want of employment for our immense riverside population, in the Metropolis especially.

To better estimate the amount of excess in three staple industries, we have prepared three tables, with a fourth table, showing the output of coal.

PRODUCTION OF IRON IN THE UNITED KINGDOM.

	Furnaces in Blast.	Pig Iron.	Stocks of Pig Iron.	Price per ton.
	No.	Tons.		s. d.
1873	683	6,566,451	200,328	117 3
1878	—	6,381,051	1,034,337	48 5
1881	552	8,144,449	1,318,170	49 1½
1882	559	8,686,680	1,102,179	49 4½
1883	506	8,490,224	1,663,976	46 9
1884	456	7,528,966	1,809,497	42 0½

Here we see that 683 furnaces, in 1873, produced only 6,566,451 tons of pig iron, whilst 456 furnaces, in 1884, turned out 7,528,966 tons. The effect of this increased rate of production is seen in the increase of stocks, rising from a little over a million tons, in 1879, to 1,809,497 tons, in 1884. That is, the surplus has increased about 800,000 tons; an excess equal to rather more than half the pig-iron exported in 1884, and to more than the total export in 1874, when the average price was 87s.6d. per ton. The output capacity in steel is estimated at 1½ million tons, an excess about which we shall have something to say hereafter.

THE COTTON TRADE.

Factories.	Workpeople.
1874—2,655	479,515
1879—2,674	482,903
1881—2,700 (estimate)	500,000

	Raw Cotton Im- ported.	Exported Goods.	Home Consumption and Stocks.
	lbs.	lbs.	lbs.
1874	1,566,864,432	258,967,256	1,307,896,800
1879	1,469,358,464	188,201,888	1,281,156,576
1880	1,628,664,576	224,577,360	1,404,087,216
1881	1,679,068,384	207,710,618	1,471,357,776
1882	1,784,111,168	264,998,160	1,519,113,008
1883	1,742,138,800	239,853,790	1,497,601,900
1884	1,791,588,930	254,931,600	1,486,603,310

The number of work-people employed in our cotton industry has increased, though it is not growing in proportion to population. The Census Commissioners say that, "measured by the quantity of cotton goods exported from the United Kingdom between 1870-1 and 1880-1," the growth of the cotton industry during that period was 39 per cent. The other figures show excessive production since 1880. The import of cotton has gone up 200 million pounds since 1879, and that is about the increased proportion of the amount reserved for home consumption and stocks. Some portion of this increase may be due to the changed proportion of export to home consumption, which was formerly 85 to 15, and is now estimated at 90 to 10. Between 1876 and 1879, spinners and manufacturers made an annual profit of £4,750,000. In 1883, the Rossendale manufacturers combined to reduce production, so as to "clear out stocks that were oppressing alike manufacturers, agents, and shippers." The trade circular of Messrs. Ellison and Co., for March, 1884, reported that short time was common, and stocks "rapidly accumulating." American cottons have been recently pushing us hard in China and Japan, forced into the markets in the manner already described. But our Indian trade has also contracted. In his report on Indian trade and commerce for 1884, Mr. O'Connor says, "Manchester has permanently overtaken the consumption of this country," and that "the production of piece goods in the Indian mills has, to a sensible extent, restricted the market open for imported goods."

WOOL AND WOOLLEN GOODS.

Factories.	Work- people.	Years.	Domes- tic Clip. Estima- ted.	Imports of wool, alpaca and mohair.	Total.	Total exports.	Left for home con- sumption.
		Average.	Million lbs.	Million lbs.	Million lbs.	Million lbs.	Million lbs.
1874—1800	134,605	1875—79	155	404	559	206	353
1879—1732	134,344	1880.....	149	476	425	255	370
		1881.....	139	460	599	279	320
		1882.....	129	505	634	277	357
		1883.....	128	509	637	297	340
		1884.....	132	544	676	295	381

Of the wool exports, it is necessary to say that the Continent and America are taking increasing quantities. In 1882 and 1883, they took 57 per cent., leaving us for home use 43 per cent.; last year they received 58½ per cent., and our share was 41½ per cent. The woollen trade has been under a cloud until the last few years, when it has been active and profitable, whilst cotton has been dull. Three things have been in its favour during the last twenty years: (1) the substitution of woollen fabrics for cotton, in shirtings and other articles, caused by the dearthness of cotton, and its scarcity in the early part of the period; (2) the demand for fine lustrous clothes for ladies' dresses; and (3) the wet summers and several extremely cold winters within the second half of the period. Demand has slackened just now, and home stocks are high. But we doubt whether cutting and speculative competitions have been as active in woollens as in cottons; and, in spite of heavy business in America, the general outlook is brighter.

THE COAL OUTPUT.

1874	125,043,257 tons.
1879	134,008,228 „
1880	146,818,622 „
1881	154,184,300 „
1882	156,499,977 „
1883	163,737,327 „
1884	160,565,000 „

The above figures show that our coal output has increased by over 30 millions since 1874, when prices were so high. But our export trade is increasing, and, if home consumption had retained the proportion of brisk manufacturing times, the output would have been 50 million tons greater. The stocks in hand are considerable. A great miners' strike against a reduction in wages is threatening as we write, and the coal-owners state that a month's idleness would be of service, as coal has been accumulating at the pit-banks of the large collieries at the rate of 150 to 200 tons per day, and there are "miles of railway sidings" blocked with coal trucks, ready for despatch, on order.

THE LIMITED LIABILITY PRINCIPLE.

A good deal of over-production is attributed to the operation of the limited liability companies. They are keen competitors for the smallest profits, it is said, and salaried managers have

not the same interest in wholesome business as the heads of private firms. Mr. Dillwyn, M.P., was the first person that we know of to bring this remarkable accusation, but since he started the attack it has been extended. Mr. G. A. Jamieson, of the Institute of Bankers, Edinburgh, has described such companies as "invading all the avenues of commerce, hustling the rich merchant and manufacturer, the man who combined his own skill and his own capital—and going on, swelling the current of production, careless alike of whether the goods are needed, or whether their manufacture is remunerative." These complaints scarcely strike us as well founded. They are rather the plaint of a declining against an antagonistic system of business. The old private firms are often unsound. Capital is withdrawn, profits are spent, and no persons, except the confidential servants, are any the wiser. It has been so in the private banks, now quietly disappearing from similar causes. The limited liability companies have to publish balance sheets; the private firms are under no such obligation. A crisis comes, and which is the kind of firm more likely to succumb? Mr. Jamieson's theory is, that until a good deal of capital is withdrawn from the limited liability companies, resulting in a temporary fall of wages, there can be no sound renewal of trade. If we are to wait for such a change, it will be a long time in coming.

TRADES UNIONS AND STRIKES.

The English people are outgrowing their old objections to trades unions. Masters combine, and why not men? The allegations against trades unions are, that they force up wages, diminish the number of apprentices, equalise skilled and unskilled labour, object to piece work, impede the free action of masters, promote strikes, and drive trade out of the country. This is not the place to examine these strictures at length, but the writer's impression is that, in the face of changes effected by public criticism, it is difficult to sustain the charges. The unions have been under fire, and they have been purified by it. They no longer act as star-chambers, or promote strikes to show their power. They have beneficially affected legislation upon such subjects as friendly societies, employers' liability, and the right of combination. There may be occasions when the unions have temporarily succeeded in increasing wages, or arresting their fall, but they do not appear to have any permanent or comprehensive effect on our trading operations, one way or the other. If they injure any persons, it is the members, and not the employers, or the general public. But they continue to serve as a plausible explanation of any irregularities in trade, much in

the same way as the wet summers and the cattle-diseases have served bakers and butchers as an excuse for extortionate demands.

It appears that we had 2,352 strikes between 1870 and 1880. The number seems excessive, but it includes every dispute involving a few days', or two or three weeks', misunderstanding. The South Wales strike of 1873 was terminated by arbitration, and in favour of the men; and it is notable that Wales has suffered less of late years than any other part of the country, mainly because of an excellent agreement, resulting from contests in which one side learns to respect the other. The London masons' strike of 1877 might have been settled by arbitration, if any board had been in existence, or could have been formed. The Lancashire cotton strike of 1878, the worst we have had for a long time, might have been pacifically adjusted, if the requisite machinery had been created in quieter times. The Ashton strike of 1882, which lasted 11 weeks, ended in the triumph of the masters. The South Staffordshire strike of the same year was against a reduction in wages. The North Lancashire strike of 1883-4, compelled about 6,000 looms to be idle, and, for a time, the masters triumphed, but only to quietly restore in May what had been conquered in February. The combination of masters subsequently collapsed, and the result is a tacit understanding that wages cannot fall beyond a certain point, the remedy for no-profit being the closing of the mills. A strike, it seems to us, may diminish the profits of manufacturers for a time, as well as injure the workmen, and the retail traders dependent upon their full wage-earning. But we should very much doubt whether there is clear and convincing evidence to show; (1) that strikes drive away trade, by disabling capitalists from taking orders; (2) that they lead to the increase of foreign competition in the home market; (3) that they seriously slacken production, when the demand is in excess of the supply; and (4) that they can procure stability of wages, except under very special circumstances, when prices and orders are declining. But they are a grave disturbance, all the same, in diminishing the turn-over of working capital, in lowering the health-rate amongst workmen and their families, and in disturbing the whole distributive machinery in the localities where they occur. They are not, however, a peculiarly British product, and hence they should not be used in argument as if the only senseless workmen were of British origin.

SOCIAL CHANGES.

It may seem a paradox to attribute any depression in trade to a change in social habits. The obvious retort will be, that the depression is far more likely to be the cause of the change. But still there are social changes, due to moral causes, that must affect special trades, and so influence others. If road-making were to be so perfect that tricycles superseded gigs, and horses were reserved for traction, hunting or racing, coach-building and horse-breeding would suffer. Transference, or withholding, must affect specific trades. The increasing sobriety of the people is admitted on all sides. The higher classes show a good example; the doctors preach their theories; temperance reformers and Blue-Ribbonites push their organisations. The result is seen in a declining consumption of intoxicants. From 1874 to 1878, our consumption of wine was 92,636,329 gallons, whereas, from 1879 to 1883, it was only 80,120,994, a fall in quantity of 12,515,994 gallons, and a saving in money of £6,392,353. The fall of consumption as between 1874 and 1883 amounts to £3,411,512. The entire drink bill of 1876, a by no means prosperous year, amounted to 147 millions, against £126,349,256, in 1884, according to Mr. William Hoyle's figures (*Times*, March 18th, 1885); a decline of 21 millions. Two other things are noticeable—(1) a decline in the consumption of spirits; and (2) the resumption by beer of the proportion it bore to spirits sixty years ago. A considerable part of the money saved by taking less intoxicants has been spent upon tea and coffee, or invested. Perhaps one half has been deposited in savings banks, as we find that last year, as well as the year before, an increase of over three millions had been so conserved. Without this thrift, the working classes must have suffered more acutely for several years past.

But the change has been a bad thing for licensed victuallers, and "the trade." Writing a few years ago, Mr. Hoyle said, "The public house holds its triumphant course." "The trade" is scarcely of the same opinion. A good many persons are getting out of it, taking land, manufacturing aerated waters, or peddling about. The Census Commissioners note that, "while in each of the other great branches of food supply, there was a growth fairly proportionate to the growth of the population, in the supply of spirituous drinks, the decline was, as shown, in the ratio of 5·8 per cent. But if we take into consideration the growth of population it was much more, these trades having fallen off, for equal populations, no less than 17·7 per cent." The business failures stand second in the list for number last year, reaching a total of 350, out of a gross number of 2,590 for the year. The large brewers are heavily hit, and many firms,

transformed into joint-stock concerns immediately after the good times from 1869 to 1874, are in a poor way. A good deal of the enlarged consumption of beer is due to private brewing. The use of cheaper maltines, commenced since the beer duty replaced the malt duty, has, with other things, affected the price of barley.

Thrift is good at all times. But it sometimes marks hesitation as to the future, and the possible transference of small amounts of capital to some more lucrative business, in quieter times. An increase of savings bank deposits in Ireland has often proceeded *pari passu* with great agrarian and commercial depression. For example, the five years 1874-8, saw deposited in Trustee and Savings Banks, £8,132,984. The five succeeding years, 1879-83, were marked by a potato famine in Western Ireland, and by extraordinary agrarian and trade disturbances, yet, strange as it may appear, the deposits in the Trustee and Post Office Savings Banks amounted to £10,770,417; an increase in the five years of £2,637,433. The smaller interest, well assured, was better than any larger trading interest, with its special risks. If we turn to the Joint Stock Banks, favoured by the middle classes, we find they have doubled their deposits. The increase in 1882 was £2,585,000. "So large an increase in the bank deposits and cash balances is highly satisfactory," says the Report to the Lord Lieutenant. A good many persons will think that it would have been better used in developing backward Irish industries.

POLITICAL AGITATION.

It would scarcely be right to omit a passing reference to political agitation. For several years before 1880, and ever since, perpetual electioneering has been going on, artificial crises and scares have been manufactured, and trade, the Stock Exchange, and foreign investments, have been affected. Who would give or take large orders in view of possible foreign complications, or a general election, or a Ministerial crisis, or something else equally dreadful? The whispers of the semi-official Continental papers have become the counters in the domestic game. A wild and provocative speech has checked orders. "Hand to mouth" has been the safe rule. The Fair Trade agitation has helped the mischief, because it has disposed agriculturists and manufacturers to remain passive and peevish, waiting and longing for great fiscal changes, instead of attending to business, and grappling with "their evil star." Party has been described as the madness of the many for the gain of the few. Of late it has been the madness of the few for the loss of

all. But, to see the system at its worst, we must look at Ireland. Its smaller farmers have received help to purchase seeds, and the part payment of arrears of rent. Its industries and mineral resources need development. Reclamations and purchases of land, until Mr. Parnell headed a company, not yet in active operations, had ceased. Yet there is no lack of money for political purposes. Funds are always forthcoming for a political campaign, or the defence of a politician in trouble, or a tribute to somebody. This constant levy of political rent must be injurious to trade. The witty will remember part of the inscription on the gravestone of Theodore, King of Corsica, by Walpole :—

“Fate pour’d its lessons on his living head,
Bestow’d a kingdom, but denied him bread.”

CONCLUDING REMARKS.

It has been shown, we think, that the present depression in trade cannot be attributed to any one cause, either affecting Great Britain, or the countries with which we trade. Heavy war expenditure has been followed by protective devices, and an extension of the area of unsettlement to Egypt, India, China and South Africa, nipping our trade at many points, and creating a distrust in the stability of existing conditions, certain to be more and more mischievous with the finer sensibilities born of international business, and a deepening community of monetary interests. The great fall in prices cannot be traced to competition, or excessive production, or we should find it most marked in industries so affected. A surplus of cottons or woollens will not account for a fall in the value of prices from non-manufacturing countries. Mincing Lane suffers as well as Glasgow, Liverpool, and Bradford. Agricultural countries suffer, and gold-using as well as silver-using countries. Some world-wide agent is accordingly required as the compacting force of miscellaneous causes, and if the depreciation of silver be not that agent, it must remain an unsolved mystery. Our agricultural depression came at a very bad time. It was oil on a smouldering fire. Depression ran from trade to trade, from one social stratum to another, as fire rages in a town. Building and furnishing trades suffered. The retail trades, least affected at first, are now yielding. Grocers, not wise in sugar speculations, are dropping out of the ranks. The “bonus” tea trade has been a calamity in many towns. In many cases, the keeping up of appearances has been a terrible strain. At first, the capitalists were the sufferers, then the middle classes, and now the wage-earners are reached. According to a supplementary note to his conclusions about the



earnings of the working classes, published by Professor Leoni Levi (*Times*, March 27th), the fall in wages since the middle of 1884 may be estimated at 15 per cent of a money income of £70,000,000. The loss to capitalists in this country since 1876 cannot have been less than half this amount every year, or, say, 30 millions, mounting up to £240,000,000.

CHAPTER II.

THE REMEDIES.

General Remarks—The Peace Prospect—Better Investments—The Silver Question—The Improvement of Agriculture—"Fair Trade"—Production and Distribution—Labour and Capital—Technical Education and its Promises—New Uses for Iron and Steel—New Markets, Customs' Unions, and Commercial Treaties—Miscellaneous Remedies—Conclusion.

BEHIND and above the existing causes of trade depression, are some large movements we cannot overlook. In all the older and more developed countries, population is aggregating in the towns, and declining in the rural districts. In 1861, the urban population in England and Wales was 63·3 per cent., and the rural 36·7 per cent.; but, in 1881, the former percentage had grown to 67·9, and the latter had fallen to 32·1 per cent. The same thing is going on from the Baltic to the Mediterranean. It is the expression of deeper facts; namely, that by the aid of machinery and science, human labour is becoming more efficacious; that fewer persons are needed to produce the food that can be conveniently grown in any country; that occupations are increasing in variety, and are carried on better in the towns; and that manufactures are produced to meet external as well as internal wants, and in an extending ratio. } *↓ tm*
↑ wages

It is a curious result of this shifting of population, with what is of equal importance, a brisker rate of increase, that what we may call the European wheat-zone is getting more and more easterly. The countries least touched by the manufacturing spirit are most occupied in the production of wheat. All the manufacturing countries in western Europe are now wheat-importing countries. It seems not unlikely that we may have to add, corn-taxing countries, too. The volume of industrial energy in Europe is thus always tending to grow. Perhaps this

fact will explain a paradox and a puzzle. 'The slight revival of Protection in Germany, France, and one or two other countries, is an acute sign that British prosperity is envied, that competition will be keener in the future, and that larger views of Imperial and Colonial development will have to inspire us at home. The puzzle is, that the great military Powers are all pushing out of their ordinary and natural boundaries. Russia, though not a strictly manufacturing country, in the English sense, is rapidly advancing to China, on the right wing, and to India, on the left. Austria has her Peter the Great's idea of more seaboard, and aims at Salonica. Italy, with her eyes on Tripoli and the Red Sea, has suddenly become an emigrating country, sending annual contingents to South America. France has added Tunis to Algeria, and is "developing" herself in Tonquin and Formosa. Germany, ring-fenced by nature and treaties, is sending out scientific and mercantile expeditions, planting flags, and spending money on Colonies. Even Great Britain, always a great earth-hungry power, has annexed Egypt "by mortgage," as M. Lemoigne has it, and finds Empire and Colonies thrust upon her by the logic of events.

There are displacements of trade, due to the lessening of old and the growth of new demands. Mr. Giffen has given some interesting percentages showing these changes.

PERCENTAGE TO TOTAL EXPORTS.

Decline.		Rise.	
1840.	1883.	1840.	1883.
Cotton 33 per cent.	21 per cent.	Coal ... 1 per cent.	4 per cent.
Linen 6 "	3 "	Iron 3 "	12 "
Woollen 10 "	7 "	Machinery 0 "	5½ "
		Miscellaneous 5 "	10 "

"In all these cases of staple manufactures," Mr. Giffen says (*Times*, December 26, 1884), "though the amounts have largely increased (for we exported £51,000,000 only in 1840 against £210,000,000 at the present time, so that a smaller percentage of the total gives a larger amount now than a larger percentage of the total did in 1840), yet the rate of increase has been slower than in the case of our exports generally. In other words, the direction of trade has shifted a little." Every shifting is attended with a dislocation of labour until a more stable condition is attained. A new invention of any magnitude, chemical or mechanical, involving a new industry, or the modification of

an old one, means unsettlement. A new tax might have a similar effect, or the abolition of an impost, as in the case of the paper duty. A new enterprise, like the Suez Canal, has caused narrower ships to be built, with less provision and coal-room; it has involved a quicker transport, a change in a trade current. The rapid peopling up of Canada and Western America has deflected the direction of much skilled and unskilled labour, and not a little capital. Displacement is seen in towns, on a smaller scale, where and when any one industry is brisk. The smaller centres give off contingents of labourers, and after a time, when rents rise and land is scarce or dear, out-detachments are driven back to neighbouring towns and villages. In dull times there is the same centripetal tendency. There are no openings for labour in the rural districts. The chances of casual employment are greater in the towns. A correspondent has just been writing to the *Times* to let the clergy know, in order that they may inform others, that "London streets are not paved with gold." Wealth is a magnet; the hut nestles under the castle. By these means our large towns become delicate instruments for indicating the amount and nature of trade depression. At every stage of transition, at every effort made to adjust trade to new conditions, at every change in the direction of capital or in its contraction, there will be some distress, and our large towns will show it. The present crisis may develop new proportions in our staple and miscellaneous industries, and perhaps issue in a return of more labour and capital to food-production, as well as in new enterprises, such as an energetic people will always institute when capital is awaiting profitable investment.

There is no lack of remedies for bad trade. They are thick as the leaves in the "vales of Vallambrosa." Some of them are only noticeable for their wildness. Their authors believe in them, however, with a faith that would move mountains, if political economy were a region for the play of warm feelings, or a science in which explosive experiments could be made, as in a chemistry class for children. Single remedies cannot, in the nature of things, cure a malady which is not due to a single cause. The extinction of rent would not cure poverty, or create a Paradise. Purely direct taxation would not end in Governments existing without war. Co-operative industry would not generate a splendid succession of foreign orders. Socialistic schemes could not avert currency troubles. The remedies we need must cover the whole ground of our home and foreign trade. They must be based upon sound business principles. They must not begin by an undemonstrated argument for a vast economical revolution, certain to produce a depression of its own, by a violent displacement of capital and labour, and the destruction of social stability. In fine, we cannot abandon our settled principles, even if other countries seem disposed to go

into the wilderness. Our experience is our truest guide. "Nature is made better by no mean, but nature makes that mean."

THE PEACE PROSPECT.

A period of military disturbance must always be abnormal in modern civilization. It can only be a path to a new order. In our time, a new Power has arisen in Germany, and the centre of political gravity has shifted from Paris to Berlin. Temporarily, perhaps, German dominance means a revival of militarism. Before long, however, in the fever of her manufacturing development, the dead tissue of Chauvinism will disappear. An immense military and a successful manufacturing power cannot co-exist in one country. A huge military system means debt, a revenue raised by tariffs, wasted labour, escaping emigration. The military spirit, as it has manifested itself in Europe, is an intrusive revival, thrusting itself into our industrial democracies. M. Comte has pointed out that, as long as war was the chief source of national prosperity, the direction of affairs was in the hands of a military party, and industry, occupying a subaltern position, was "only used as an instrument." But, when experience had convinced nations that "the only road to riches lies through peaceful activity, or works of industry, the direction of affairs properly passes to the industrial capacity," and military force, in its turn, becomes a passive power, "in all probability destined to become finally useless."* This consummation is yet a long way off, but, in England, at any rate, if not in France, and partially in the United States, the best administrators, and the directing minds, belong to the "industrial capacity" as antagonistic to the military.

Commercial intercourse, industrial progress, social well-being, are powerful agents in favour of peace. Europe is suffering now from a nearly spent war-fever. A long term of peaceful activity is assured when the fever is over. In all countries there is great anxiety as to the immediate return of the aims and hopes of 1851. The standing armies of Germany and France, if retained, will outweigh the advantages of the better technical education of the Germans and the artistic lissomness of the French. In coming competitions, where profits will turn on small percentages, and production has to be harmonized with social claims, England will have new advantages, not less signal than those she has hitherto enjoyed. But her policy must not be adventurous and restless, though it can still be large and

* Positive Polity, vol. IV., p. 500.

imperial in spirit. Arbitration, by courts, is possible, as in the case of the Alabama claims. But the best and safest Court of Appeal is that formed by an enfranchised and an enlightened people.

BETTER INVESTMENTS.

Capitalists learn by experience, as well as other people, and they will avoid the kind of ventures already described. The pleasures of 8 per cent. cannot be had without more pains than belong to 5 per cent. Money, is like true happiness; it hath "no localities, no tones provincial, no peculiar garb." But it must have a reasonable security for a reasonable interest. In this country, there has been growing up of late a clearer idea of expansion, as involving commerce as well as empire, and it will lead to better investments within the Empire itself. In spite of our pardonable elation about the flag and our commerce, the Empire is a huge undeveloped agglomeration. Our Colonies need our help in many ways; they are growing rapidly, and the rate of their growth depends as much upon English capital as Colonial energy and enterprise; their interests are our own, their markets are our own, their political future is our own. Dictatorships do not flourish on their soil, and repudiation is not the financial weakness of a British-born people. Mr. G. Baden Powell pithily writes—"It needs to insist upon the strange fact that while England is maintaining at great effort a precarious and utterly untrustworthy commercial connection with foreign States, the average public seems doggedly to shut its eyes to the opportunities afforded by England's extensive Empire. It is true this unaccountable error disappears when we look to that main but silent current of industrial endeavour which runs its course fed by every streamlet and font of individual interest and enterprise in the true direction of success. This current has long ago recognised that within the frontiers of its own Empire the lively productive enterprise of the English race has plenty of scope for the profitable exercise of all its powers. There are long years, long centuries of work before these ample resources shall be all of them opened out. The Australias by themselves are equal in area and natural capacity to the whole of Europe. In the Canadas and the districts of South Africa the English race possesses yet another potential Europe, and in India and the various outlying Colonies possesses surface and wealth of resources equalling those of Europe. The nation owns, then, an extent of surface and a variety of natural resources equal to three Europes conjoined. Here, then, we have a field not altogether insufficient for

employing the best energies of a nation of 50,000,000, and for providing unlimited scope for an unlimited increase of this nation."—(*Nineteenth Century*, July, 1881.)

Our Colonies took from us last year twenty millions of capital. They will hereafter need more. Patriotism and profit may go hand in hand, with no danger of the kind now menacing Europe—that of bondholders' politics. In India, we have an immense field. The labour is there in abundance. Calcutta and Bombay are the creations of British wealth and energy. Seven millions of India's merchandise go to pay yearly interest on money already invested. "India can supply the cheapest and most dexterous manufacturing labour in the world," says Dr. Hunter. "England can supply the cheapest capital in the world. The household manufactures, which were crushed by the co-operation of coal, labour, and capital in England, are now being revived by the co-operation of coal, labour, and capital in India. I believe we are there at the commencement of a period of manufacturing enterprise which will form an epoch in the history of commerce" ("England's Work in India," p. 82). Land investments in India pay 7 per cent., and there are many districts that could be profitably reclaimed. "It is conceivable," Dr. Hunter thinks, "that such facilities might be given as would make it profitable for capitalists and land companies to found agricultural settlements in Assam and the Central Provinces. If the landowners of Bengal were thus to turn captains of industry, they would vindicate their position, and render it inexpugnable." There is room for a limitless amount of capital in India and the adjacent Colonies of our Eastern Empire.

THE SILVER QUESTION.

The controversy on this question has not attained anything like a truce. But it seems to us that, gradually and silently, the advocates of the rehabilitation of silver are gaining ground. On the one side, we have the simple upholders of the legislation of 1816; on the other, we have several kinds of silver advocates, pure bi-metallists, and simply silver advocates, with no settled policy. But the need for action is as strong as ever, if action can be of service. The rupee is worth only 1s. 8d., and the French five-franc piece, out of France, is only worth four francs, forty centimes. The Latin Union Treaty of 1878 expires on the 31st of December next, and the Monetary Conference, to meet on the 15th of April, must re-examine the expedients suggested at the Paris Congress in 1881. A small step, firmly taken, would be better than unsettling discussion without any

practical result. The following points seem to us worth consideration:—1. As there is always more wealth in the world than there is money, any change in the quantity or character of a standard in use over a large area, involving the par of exchange between it and another standard elsewhere, must be too serious to be left unremedied. 2. With coin and bullion estimated to consist of 750 millions of gold and 650 millions of silver, it must be injurious to try and keep up the currency in commercial countries by the standard of gold alone, in the face of immemorial usage. 3. The supply of gold is lessening. Dr. Suess, in his work on "The Future of Gold," has elaborately shown why gold is so limited in quantity, and why it is decreasing. Epitomizing his results, M. de Laveleye writes—"From all these facts Dr. Suess concludes that the desire to make gold everywhere the only coinage, to the exclusion of silver, is pure madness. Geology opposes it. There does not exist in the world gold enough for the purpose. The true money metal is silver. . . . Bagehot expressed the same opinion before the Silver Commission of 1876 (Question 1,389), 'Silver is the normal currency of the world'" (*Nineteenth Century*, September, 1881). 4. M. Laveleye adds, that Dr. Suess's book, has "convinced some of the most able economists that it is essential to restore to silver its attribute of money, of which it ought never to have been deprived." 5. Mr. S. Jevons maintains that gold and silver "have both progressively decreased in purchasing power, but that silver has decreased in value more than gold." As a general statement, this may be true. What the currency for the East requires, however, is that the ratio of silver to gold, of 15 to 1, existing prior to 1870, should be restored. 6. If gold, as such, be decreasing, is it fair to assume that silver will speedily become less liable to fluctuations of value, and so the one desirable money standard?

THE IMPROVEMENT OF AGRICULTURE.

We may divide this question into two parts—what the State can do, and what the farmers can do. The State can do everything, says A; it can do nothing, retorts B. Similar assertions are made about landowners and farmers. Our position is an eclectic one—we think the State can do something, but not much, and that landowners and farmers can do more for themselves than can be done for them by others.

1. It is something to have the saying corrected, that the English system is law made and law sustained. Other land systems are the same. The objectionable features of our

system admit of easy modification, without revolutionary plans. The tying up of land by entail and settlements requires modification. A Parliamentary title is wanted for land—short, cheap, and quick. Tenants' and labourers' interests require the presumption of law to be more in their favour. Extraordinary tithe must go. Allotments must be extended. Free farming, leases, and valuation on entry, are needed. Drastic legislation to artificially create cultivating ownership is not, in our opinion, to be desired. Give facilities, and let methods of cultivation, sizes of farms and the like, settle themselves, as they very soon will do, when existing fetters are removed.

2. British farming has not yet become a real science. It will have to be so—chemical, geological, botanical. The happy-go-lucky, "tickle me with a hoe and I laugh with a harvest" notion, has been killed by competition. Farming, conducted by a quick-witted man, resolves itself into three questions—What can I grow best? What can I sell best or easiest? What will pay me best? As it is, there is a lesson for him in his covenant, as if he were a schoolboy, and yearly tenancies keep this covenant between the farmer's eyes and the light of heaven. More experimentation, more enterprise are needed. Loan-raising against growing crops does not seem very sound or very promising. It would tie up the tenant almost as much as the life owner is tied up at the present time.

3. Every farmer in his heart would like a wheat-duty. The policy of such a duty will be dealt with presently. The real meaning is that the farmer has learnt how to grow the crop, and it is an easy crop to grow. He does not want crops requiring much patience, time to look after, and novel information. So he ridicules market gardening, fruit-farming, bee-keeping, and all such schemes. He is a beef and mutton and corn grower—that is all. If wheat will not pay, however, he must grow something else. When American prairie land is run out, and Manitoba sends wheat to feed her neighbours over the border, there will be only Russian and Indian competition to fear; and India, Mr. O'Connor says, can only export freely when there is a combination of four things—abundant crops, low crops elsewhere, low freights, and low rates of exchange.

4. "Nature," remarks Sir James Caird, "has given us a climate more favourable to the production of meat and milk, vegetables and grass, than that of any other European State. These, in proportion to their value are the less costly in labour, and therefore the least affected by the rise in wages." Yet, look at the figures! In 1878, the home consumption of meat was 88·37 per cent. of British to 16·63 per cent. of foreign; in 1883, the foreign had risen to 19·79, and the home had fallen to 80·21. Allowing for the effect of cattle diseases, such figures reveal grave defects in our system of meat-production. Experience

shows that animals must be brought to the butcher earlier; that animals feed faster up to two years than after that age; and that mere fat production, with highly spiced and costly foods, is unprofitable. Covered yards, and a more extensive use of ensilage, with maize-growing for the purpose, as at Merton, an escape from the money-wasting attractions of the pedigree-book, a little more thought to the sheep's wool as well as his carcase, and attention to horse-breeding, would soon improve the outlook.

5. Last year we imported butter and butterine worth £12,526,293, and cheese worth £4,997,894, which we might make at home. Butter, milk, and cheese factories are much wanted. Even-quality in foreign butter is due to making in factories. Such butter fetches 1s. 10d. per lb. in London, against the 1s. 3d. and 1s. 5d. obtained by farmers from agents. Milk pays a farmer 8d. a gallon in summer and 10d. in winter, to deliver at a London station. A factory would give at least a 1d. a gallon more, and, managed by farmers, on the associative, profit-sharing principle, would pay well. More attention to vegetables is also needed. Railway companies could materially stimulate home production by more generally providing crates and hampers, and making special rates, as is done with Cornish brocoli and Jersey potatoes. The imported vegetables last year reached £3,128,305. It is a blot upon our farming that these importations should grow as they do. Happily, the agricultural returns show that orchards and market gardens are sensibly increasing.

6. Good poultry farming pays. It requires trouble, that is all. The art of winter-laying, by selecting food and housing the fowls, is now better understood. Our American friends are a long way ahead of us in this respect, and most of the practical hints given by our agricultural journals are taken from American papers. Our poultry import was valued at £531,367, in 1883—an increase from £171,518, in 1871. The imported eggs last year reached £3,908,927. The number of poultry in Great Britain and the Channel Islands was given last year as 28,944,249; in France it was 56,019,130. The annual value of British poultry, is not estimated by Mr. P. L. Simmonds. ("The Annual Food Resources of Different Nations," p. 150), but he gives that of poultry in France as £22,879,211. Here, then, is a fine opening for British farm-wives and farm-maids.

7. More enterprise. Paying crops, such as chicory in East Yorkshire, averaging £18 an acre, and flax, worth £14 10s. an acre, have almost ceased because they entailed trouble. A license to grow in place of the present excise restriction on chicory-roasting, and the establishment of paper-mills, to which the farmer can deliver the flax-straw, would be great improvements. It is believed that carraway seeds can be grown in

England at £15 an acre. Mr. Woods, at Merton, has grown from 28 to 30 tons of maize per acre as fodder. "Hence," he says, "I cannot regard maize as an uncertain element in the farmer's calculations." ("A Revolution in Farming," p. 23). Practice with science is not sufficiently cultivated. The agricultural journals are too political, too crowded with news in the form of reports and speeches, instead of being full of shrewd practical advice, pithy articles, and notes. An illustrated monthly, after the style of *The American Agriculturist*, which is printed in German and English, would be better than the quarterly and half-yearly reports of the larger societies.

8. Mr. Auberon Herbert, who cannot be accused of wild views on the land question, writing in the *Pall Mall Gazette*, of March 25th, says: "Great as are the openings for large land companies at the present, the landowner can still do more to transform than anybody else, if Heaven will inspire him to do so. He has the means of knowing the steady and trustworthy men, and to all these he can offer land on terms of gradual repayment." A small experiment he and others are making will be anxiously watched. Lord Carrington's experiment with allotments at High Wycombe has been a splendid success.

FAIR TRADE.

The advocates of compulsory education in Fair Trade principles, or the amelioration of tariffs by trick and trick, are not political economists, and have not captured even a solitary one of note. Manufacturers of precarious industries, country gentlemen, unconverted Protectionist sinners, and political fence-sitters, constitute its champions. A full examination of its fictions cannot be given here, but it is important to show that it is no remedy for trade depression, and that, if "practical" men believe in it, they do so ignorantly.

Fiction one is, that by taxing foreign goods you can make "the foreigner" contribute to local and general taxation. The advocate says, our burdens are heavy, and so we cannot compete. He wins cheap applause. Even shrewd thoughtful men talk about taxing the foreigner. Mr. J. S. Mill might have been clearer as to this matter than he is. The answer is, that you cannot tax the foreigner if you try. Taxing his goods as they enter England, is taxing the English purchaser, and not the foreign maker. In buying a loaf you pay the farmer, the cornfactor, and the miller, as well as the baker, their respective shares. It is so with the duties. Tobacco costs from 6d. to 8d. per lb. with the duty unpaid, and the 6d. or 8d. per lb. is all the tobacco growers get. The duty is paid in England on the arrival of

the bales, or when they are taken out of bond. If we can afford to smoke tobacco at 6d. and 8d. a lb. *plus* a duty from 8s. 4d. to 4s. 4d., the foreigner gets or gives no fraction of the duty. He is content with 6d. or 8d. a lb., and we pay the remainder.

The second fiction is, that as our markets are being "flooded" with foreign manufactured goods, a 10 per cent. duty would arrest the flow and help us. A committee of the British Association has calculated that the consumption of manufactured articles in the United Kingdom is 500 millions a year. We import about 30 millions, or one-seventeenth of what we consume. A 10 per cent. duty would realise £3,000,000 per annum, or less than the customs on rum and brandy, on tea, or upon tobacco or snuff. How would that relieve trade? We have already seen what are the manufactured articles we import. By taxing 30 millions of imports we should make "the foreigner" put a 10 per cent. duty on our own exports. We should get £3,000,000 and lose £4,000,000, perhaps more. Austria's Customs Bill, a reply to Germany and France, should be borne in mind as a bit of retaliation. *Articles de Paris* have gone up 100 and 150 per cent., on the principle that when you must hit, there is nothing like hitting hard.

The third fiction is, that "one-sided" Free Trade is bad. Experience is the other way. Free imports enable us to obtain what we want, at the lowest price. Even tariffs for revenue increase consumption with every reduction, so that we are realising a steady income of 20 millions from Customs, whilst the American revenue from the same sources has fallen from 37 millions in 1869 to 27 millions in 1879. Cheap food has cheapened manufacturing production, and enabled us to compete with the foreigner in his own markets. For forty years we have been one-sided Free traders—and these are the results:—an increase of general prosperity, an increase of imports and exports, which is the trading evidence of the same thing, and an increase of our carrying-trade from 33 ships out of every 100 to 55.

The fourth fiction is, that "the balance of trade" is against us. We import more than we export. In 40 years Great Britain has imported 1,600 millions more than she has exported, and so she ought, according to the Fair Traders, to be 1,600 millions poorer! If we are not, as every sensible person knows we are not, the method must be wrong. Professor Leone Levi, examining this question, has laid down the incontestable proposition, that an increasing balance of trade is associated with an increase of wealth. He says:—"The best way of testing whether the balance of trade was really favourable or unfavourable was to see whether the nation was becoming poorer or richer by its policy." Putting the balance of trade, and the amount of income assessed to the Income Tax, side by side, the following was the result:—

	Balance of Trade.	Increase per cent.	Amount of Income.	Per cent. of Increase.
1855-63 . . .	39 millions.	—	329 millions.	—
1864-73 . . .	56 "	41	440 "	33
1874-83 . . .	115 "	109	580 "	31

The war disturbances of the last few years, and the other causes already mentioned, will account for the diminished volume of trade, and the lessened percentage, without in any way vitiating the method, or affecting the principles involved. International trade is mainly by barter or by bill. Our imports pay us for goods exported, for interest on capital invested abroad, for commissions, and for freights. Our national profit comes to us in this form, and makes us instead of killing us. If imports were less than exports, freights would rise, cargo-ships would return in ballast, trade would lessen, and manufacturing bankruptcy begin.

Fiction five is, that a 10 per cent. duty on foreign corn would not hurt the consumer, but would stimulate Colonial trade and benefit the British farmer. (a) The consumer would, however, have to pay the duty, and the interest on the 10 per cent. more capital required by the corn importer, the factor, and the miller, and possibly the 25 or 30 per cent. more demanded by the baker. The result would be really a 12 per cent. duty. (b) The American corn growers would find it less profitable to invest capital in farming, and it would pass into manufactures. Prior to 1842, we taxed foreign corn coming to us from Saxony, and the supply ceased. Saxony then began to throw her energies into manufactures, and has now, alike in educated taste and finished goods, become one of our great competitors on the Continent. Are we to kill off a number of our profitable industries because farmers will grow wheat when it does not pay? (c) We require 25 million quarters of wheat annually, and as we cannot apparently grow more than nine or ten, we import the remainder. Out of every 100 loaves we consume 64 are made of foreign wheat, or $\frac{2}{3}$ ths of every one of our 4 lb. loaves. The importance of the foreign supply is therefore obvious. (d) If we obtained the 16 million quarters from India, or our Colonies, the farmer would not be benefited a jot, because the so-called competition would be the same. (e) The arable farmer gains 2s. a bushel on straw, and the dairy farmer and grazier has the advantage of cheap feeding cereals he would lose if corn duties were resumed. (f) Cheap food is the basis of our manufacturing and general prosperity. The present crisis would have been

ten times more acute if wheat had been taxed. The cost of pauperism, as well as its amount, rises with the prices of food.

Fiction six is, that retaliation would be educative, and cause no loss, or only for a time. Our experience is against anything of the kind. A Free Trade example is better than a Fair Trade or Protective war. Mr. Eckroyd's method reminds us of Carlyle's description of Jesuitism, as an attempt "to serve God by taking the devil into partnership." As Mr. G. Baden Powell shows, there must be economic loss, and the chance of success is problematical. He truly adds, "we must either impose them (retaliating duties) for a term of years, or wait until their object can be accomplished. A term of years will be taken, especially by the more obstinate opponents, to be a term of waiting. We should bind ourselves, in self-contradiction, to that very policy which we were seeking to overthrow." ("State and State Interference" p. 267.)

The only part upon which the Fair Traders have a case, and even then they bungle over it, as we shall presently see, is as to Colonial Trade. Their general remedies are a libel on our intelligence. For do they not ask us, because trade is not so brisk as it was, to resume the old method by the abandonment of which we obtained the prosperity whose absence they lament?

PRODUCTION AND DISTRIBUTION.

Industrial progress is seen in two phrases—increased production, and diminished cost. The former is no evil, unless artificially stimulated, and whenever it is so stimulated it becomes relatively dear. Production is most healthy when it is freest. Markets and profits impose healthy limitations upon it, whereas export bounties, and the like, make a call upon the general taxpayer to compensate the manufacturer. There are trade reformers whose remedy for depression is ever the same—limit production. If the market demand were represented by 10, they would regard 8 as the healthy ratio of production. The effect of this would be that associations outside the "ring," or foreign countries where imports are free, would enter into competition for the difference, and get it, forcing down prices to an open market level. In ordinary states of trade, production is governed by the present and the probable market, and time-contracts will always depend upon nice calculations as to the latter. Excess in production, more frequently than not, is due to misreading of the signs of the times, and miscalculations as to "futures."

One of the greatest problems of modern industry is distri-

bution, not production. How are we to bring producer and consumer nearer together? Producing and consuming localities are always coming nearer, in time, owing to railways, steamships, and telegraphs. But between them are intervening classes, making extensive profits in handling the articles in transit. Milk, carriage-paid to a London station, costing from 8d. to 10d. a gallon, is sold to the consumer at 20d. a gallon, the cost of distribution exceeding the combined cost of production and transit. Cork butter passes from the producer to the local dealer, to the Cork buyer, to the Cork exporter, to the English factor, to the cheeseman, and then to the consumer. Here are six profits. Meat, cottons, woollens, carpets, lace, groceries and the like, pass through the hands of a series of middlemen. Profit is thus a series of percentages, increasing downwards, in the form of a pyramid. In fact, we may hold it to be a law of our present system of distribution that, as transactions diminish in quantity, they increase in rate of profit. Probably, the law is sound enough, but the stages of distribution are too numerous. The manufacturer earns a small profit per article, or piece, or ton, and he has to turn out a large quantity to increase his incomings. Low profits will thus augment production as well as high profits. Wages are cut down to maintain competition, and workpeople suffer. Unfortunately, distributors do not decrease in number because prime cost is lessened, and, when they are content with lower commissions, there is the retailer, holding out, and dealing with customers, not careful in watching markets. Facility of transit should have diminished middlemen, whereas it seems to have increased them. The decrease under the heading of merchant, in the census of occupations, from 15,936, in 1871, to 10,359, in 1881, seems noteworthy, but the Commissioners say that the term "must have been used with a less restricted signification in the tabulation of 1871 than on the present occasion." The commercial class is reckoned at one million in round numbers, and Professor Leoni Levi, who is more strict to the returns, gives the earnings of the 900,000 at 47 millions, against 364 earned by the industrial classes. The distributors proper would be much larger than 900,000, we fear, and other figures are given that make them two millions. In any case, we have about one distributor to every four producers. A needlessly complex system of distribution injures the manufacturer, the workpeople, and the consumer. A singular example in East Lancashire occurs to us, in which the smaller manufacturers are mere tenants-at-will of cloth agents, who use them and ruin them, if profits cannot be otherwise obtained, to cut down the larger manufacturers, and to make cotton production a gambling concern.

Co-operation has announced itself as solving the problem of production and consumption. Has it done so, or promised to

do so? We are not convinced that it has. The annual returns for 1883 show an average profit of 28 per cent. in industrial co-operative societies; the English ones turning over their capital three times in a year, and the Scotch societies four-and-a-half times. They show us, compared with the 4 or 6 per cent. of other companies, what a large amount of money must pass into the hands of distributors. The Manchester District Co-operative Association earned, in 1883, less than 5 per cent. on its capital in production, 4 per cent. in wholesale distribution, and 32 per cent. in retail distribution. Surely, somewhat similar proportions might follow any fair system of distribution, whatever was the principle of association. The Oldham Cotton Buying Company is a good example of the kind of business likely to become more common in future. It was designed to do away with middlemen. The last return we have of its operations showed it to be paying $7\frac{1}{2}$ per cent. on a quarter's business for its share capital, 7s. per £100 on business done, and returning a commission equal to 10d. a bale on American cotton. Associations for the purchase of raw material would reduce the middlemen. Profit-sharing is, in fact, capable of extension all round, and upon many systems. In Portland Town, in the Metropolis, a society has been formed to do away with middlemen collectors from the West-end shoe shops. "Such firms," says Mr. A. K. Connell (*Pall Mall Gazette*, February 22, 1885) "employ the services of a middleman collector, who takes the repairing work to the East-end, pays there a sweating wage, returns the work, and absorbs the profits." It is being tried to combat the plan by a profit-sharing society. In the fish trade, buyers at the ports and salesmen at the London markets, similarly absorb the profits, and regulate prices. The true scheme of distribution should fit into any system of production, and perhaps it would take the form of a central agency for each trade, or variety of trade, with direct communication with retailers for all large districts or sub-divisions of the kingdom. Manchester, Glasgow, Bristol, and many other large places, would be in direct touch with the manufacturer, on the one side, and the retailer, on the other. No doubt, an idea of this kind is traceable in the more direct forms of distribution already existing, but it has been obscured, if not lost, in their working. The textile trades were formerly carried on by piece-halls, to which makers took their goods and buyers resorted. The maker now goes on 'Change, and the first customer is an agent who begins the distributive work. In our foreign trade, we believe, the order goes direct to the maker. Formerly, the Leeds woollen makers were visited by buyers, for whose appearance they had to wait, and upon whom they were dependent. They now employ commercial travellers to go direct to the warehousemen with their samples. Trade has

been improved by the change. The next step would be to form a distributive agency of their own. It would be a revolution, almost, but it would pay.

Agriculturists need a better distributive system. They ought to organise butter and cheese factories, and to form dairy associations, in every large centre, for miscellaneous distribution. It would pay them as well as it pays the Aylesbury Dairy Association, to sell meat, bacon, eggs, poultry, and butter products in this way. The market system, as it formerly worked, and as it still works in some districts, was a much healthier system than a congeries of retail traders, often working through a buyer, competing with consumers in the same market, and requiring large profits. In retail business generally, the division of labour has been carried too far. A re-combination is very much required of such trades as ironmonger, tinman, plumber, gas-fitter; tailor, draper, and hosier; and others that will readily suggest themselves as convenient. In our small towns and villages, one or two good general shops would do well where a dozen or two do ill. The shop of the future is "the store," where, as the American joke runs, "you can get anything from a baby's cradle to a bower-anchor." Dislocation of trade might ensue for a time—and all such changes can only be gradual—but a country that has "found room in 80 years for 20 millions of new people," as Mr. Giffen phrases it, need not be alarmed at finding work for a million or so of disengaged distributors.

LABOUR AND CAPITAL

If we could discover the scientific unit of wages, in every form of trade in which large numbers are employed, and arrange for its variation under the changes to which that trade is exposed, we should terminate all labour conflicts. It is singular that political economists cannot throw more light upon this subject than they do. For example, say, we take the unit of wages in any trade as 15s. a week, that being the lowest remuneration in any of its active branches, we might add to it so much for the time required to attain a certain standard of efficiency, so much for risk or insurance, and we should reach the true wage for skilled labour, at the lowest rate of pay, and should then require a margin for fluctuations, at some proportionate profit for the rate of interest upon working capital, justly due to the employer, in accordance with market prices. That is, if the minimum for skilled labour were assessed at 25s. a week, there should be an addition to that sum, in accordance with the general profits made. The variable element would then bear some more true relation to capital invested, to the state of the market, and to the gross profits made. Probably, the annual bonus system

would then come into more extensive operation. There seems to us to be considerable room for the play of scientific thought in thus adjusting a sliding-scale of wages in all our staple industries. Roughly speaking, it may be said that this is attempted in "market-price," but that is a clumsy expedient for adjusting what surely admits of more careful settlement. Apart from the number of individuals seeking work in any branch of business, at any time, there really is a true rate of remuneration. If five medical assistants offered their services, and only one had really first-class qualifications, no economist can contend that the other four would beat down the rate of remuneration simply because, numerically, they were four to one. That is, skilled labour has a market-rate of its own. Boards of conciliation are engaged in endeavouring to prevent labour disputes by that impalpable thing called "knowledge of the trade." Such boards cannot be too numerous. But we can see no reason to doubt that in future it may be found desirable to call in experts, not resident in the district, and paid by fee. The art of wage-adjustment is as likely to become a profession, some time or other, as the art of deciding legal controversies, and though the professors may be fewer they will be of quite as much service. The future of wages, moreover, depends upon the number of intermediaries. The reduction in the cost of production requires, as its logical complement, a reduction in the cost of distribution, and until it is attained we shall never reach the true method of industrial remuneration, in the form already suggested. Until we materially modify our plan of adding to prime cost in increasing ratios, we shall have to face what is now being discussed as highly probable—a fall in the rate of interest or profit upon capital. The profit upon productive capital has been falling of late, and it must at all times be adjusted to the range of variation. A food or clothing business, for example, where demand is steady, can bear a lower rate of profit on capital than, say, the iron, steel, or coal trade, certain to be affected by spurts and depressions in enterprise, at home and abroad. Capital is still awaiting investment in spite of waste. There is a waste-limit to capital, if we could only find it, as there is a waste-limit in the human body, in proportion to weight. Let it be exceeded, and we have panic and crisis; let it be not reached, and we shall pity the unfortunate, and find our prosperity undisturbed. As far as we can judge, the line of quietude is different for foreign and domestic investments, for wholesale and for retail trade. The losses in America last year, in liquidations, reached 50 millions; in England they would barely touch 10. There is capital still amongst us, in spite of depression; there is more, in fact, because there are fewer calls for it. The capital commitments last year in England alone reached £91,520,207, and in England and elsewhere £17,511,005, and upon the two sums the

actual calls were £109,603,500. The smaller States of Europe would be impoverished to raise as much floating capital, and yet England, so men say, is depressed, declining, ruined! The enterprises were for the Colonies, for home and Indian railways, land and mortgage companies, mining projects, and miscellaneous commercial undertakings. For the five years ending in 1884 the capital embarked was £455,063,000, against £239,560,000 for the five years ending in 1879. A gradual revival of confidence is therefore apparent in the moneyed classes. Steam has done so much for us, and promises to do so much more, that instead of profits tending to a minimum, as Mr. J. S. Mill suggested, we are inclined to think, with Mr. Cliff Leslie, that such a theory "has no claim to the character of a law of social progress, ignoring as it does, some of the chief results of that progress, and its chief cause, the constant improvement of the human faculties. Profit may uniformly fall from its first high level in new countries, like the Western States of America, yet may not continuously decline in old countries. The rate will probably vary from time to time in the future as it has done in the past" (*Fortnightly Review*, November, 1881). Even in such a commonplace investment as land drainage at home, there is room for £150,000,000. The Panama Canal is the natural successor to the Suez Canal, and its effect upon trade with the Pacific, and the orderly development of Central America, must be immense. Canalisation means cheapened transit, quicker distribution, economy in coal. Ship canals from sea to Manchester, and from the Solway Firth to the Tyne, are in the immediate future, in common with other projects. In the improvement of our harbours and fisheries, there is ample scope for capital. The use of capital in stimulating enterprise has been recently brought out by the inquiries of a committee of the Dublin Corporation on banking advances in England, Scotland, and Ireland. It was found that, in Ireland, there had not been the same liberality in making advances to foster industry as in Scotland and England, with consequences that need no demonstration.

TECHNICAL EDUCATION AND ITS PROMISES.

Two deliverances on this subject may be cited, as we cannot traverse the whole question. Mr. E. Atkinson, an American political economist, quoted by Schoenhof (*The Destructive Influence of the Tariff*, p. 69), says: "Other things being equal, high wages, coupled with low cost of production, are the necessary result of the most intelligent application of machinery to the arts, *provided the education of the operative keeps pace with the improvement of the machinery.*" Without technical training this pace is

impossible. Mr. Mundella, speaking at South Kensington recently, said : "If to all our great industries art was applied to the extent to which it might be applied, if people were properly trained to the proper application of art to industry, and if it were extended to all our manufactures, we should hear much less of the depression which prevailed in trade than we did at present." The City and Guilds of London Institute, in its Report, dated March 25, says : "6,396 persons are studying 34 subjects in 263 classes in various parts of the United Kingdom." We are not sleeping, therefore, if we commenced somewhat awkwardly in giving a commercial education in our elementary schools, based upon a narrow theory, and forgetful of visible and surrounding facts. School education, technical education, and workshop education cannot proceed simultaneously, but, after a certain age, theory, and practice may be advantageously combined. Drawing has now become a code extra, and its importance in many trades will be as promptly recognised as chemistry is in others. But University training must follow in some of the classes that can afford it, if we are to apply taste and skill to industrial processes and discoveries.

The chemists, who do so much to open out new industries in Germany, are all highly trained. There is in chemistry, in fact, for the sons of the well-to-do, or for the shop-keeping class, likely to suffer by a better system of distribution, a splendid and lucrative opening. The science degree of the London University is worth any man's winning. A colour firm at Höchst, in Germany, has in its employ 51 chemists, and 15 trained engineers and managers. Some of the chemists are wholly engaged in making researches. Hence the German colour-trade is gradually equalling our own, and will, unless we mend, speedily supersede it. The costly training required in the higher branches of education will always maintain some social distinction. The scope for activity is large, and the need great. Touch, taste, colour-sense, nicety of proportion, and the human as opposed to the conventional side of art, ought to command our cultivation. We have patience, wealth and wide empire. All we need may be summed up in two words—art and science.

As to promises, the field is immense. Take the question of residuals in gas-making, as showing the utilisation of waste, and the new industries that chemistry has made possible. The ammoniacal liquor, yielded more abundantly by cannel than by any other coal, is one of our main sources of sulphate of ammonia, and our annual product of this valuable agricultural salt is worth £2,000,000. The saving in gas-making comes out as follows (we quote the case of York with which we are familiar) :—

Value of Residuals per Ton of Coal Carbonised.

	1855.		1885.	
	s.	d.	s.	d.
Coke	4	8	3	10
Tar	0	9	1	6
Ammoniacal liquor . .	0	1·80	1	3·86
	5	6·80	6	7·86

With coal, and therefore coke, at the price of 1885, the increased value per ton would have been more considerable.

The tar-products offer a brilliant illustration of chemical results. Dr. Perkin has developed a new industry, the coal-tar colour trade, by his researches as to the properties of benzol, the basis of aniline and other dyes. In addressing the Chemical Society last year, he asked: "What do we see as the result of the employment of high-class chemists in Germany? First, we notice that chemical industries are developing and increasing there more than in any other country; and, secondly, that manufacturers are able to make their products in a very economical manner, and, as a consequence, supply them at a low price." The development of an alkaloid from coal-tar, called quinine, by Emil Fischer, with febrifuge qualities almost equalling quinine, is another splendid triumph of German chemistry. The Technical Commissioners truly say of this instance that it points to the "immense importance to the human race of researches in purely scientific organic chemistry, which at one time appeared to have no practical value or possible application."

Since the failure of the guano deposits in South America, the supply of ammonia for manures has been drawn from ammoniacal liquor, as already mentioned. In 1879, it was £20 a ton, and blast furnaces and coke ovens, formerly wasting their ammonia, were utilised in producing it. It is now £12 a ton, and the supply increases. Our coals, shales, and peats are full of it. Mr. Beelby, in a paper read at the Society of Arts last month, detailed some useful and profitable experiments in producing ammonia from Broxburn shale, in the process of making oil. Up to 1870 the spent shale was "sent to the refuse heap as of no value." Mr. W. Young and Mr. Beelby set to work, however, and the result of their experiments was to increase the yield of sulphate of ammonia 14 lbs. per ton of shale, and to earn, on the same gross outlay, £46,870 more per annum (*Iron*, March 13, 1885).—Nitrate of soda will probably be as largely developed by similar processes when the natural supply fails.

Shoddy waste is now being converted into a manurial agent, and cotton waste has long been made into a saponaceous compound. In making stearine candles, glycerine was first produced in any quantity in this country. It is now an important product; and whereas, formerly, highly-charged potash refuse from white and yellow soaps was coloured, highly scented, and sold as fancy soap to the multitude, with injurious consequences to hands and faces, we have in Messrs. Pears' elegant and pure preparation an efficient and healthy article, beaten by nothing in the market. In making pig-iron, the residual product of one ton ranges from 28 to 30 cwt. of slag, according to the nature of the stone employed. The huge, melancholy slag-heaps in our iron-smelting regions should all be labelled, "Material and money wasted by bad science." Bricks, blocks and ornaments are made of it, but not in any quantity. It is also occasionally used as an adulterant to Portland cement. But it is time the slag-creators became the slag-utilisers. In the south of England, walls, houses, and churches are built of flints. Why should not slag be utilised in the same way, in the smoky regions where it abounds?

The utilisation of fish-offal (1) as guano, in a desiccated state; (2) in extracting oil therefrom, necessary in drying for manure; (3) in making gelatine from the bones; and (4) in the production of phosphate of lime, is strongly advocated by Mr. W. Anderson Smith, in one of the Prize Essays resulting from the International Fisheries Exhibition at Edinburgh, in 1882 ("Fish and Fisheries," pp. 200-6.) He calculates that 10,000 tons of fish-offal should yield 4,000 tons of fish-oil, at £15 a ton, and 5,000 tons of manure, at £3 a ton, or £75,000 in all. The manurial value of utilisable British fish-garbage is put by him at £300,000, most of which is lost, or wasted, by bad management. English fish-guano, finely ground, is now worth £6. 12s. a ton, and Norwegian, the best, is £9. 15s. Mr. Anderson Smith suggests that fishing steamers might "utilise their engine power in the fishing ports for the purpose of removing the oil from the garbage, desiccating or drying, and then condensing the remainder, and thus arriving with a cargo of oil and manure, each ready for the market."

It is a standing reproach to us and our scientific attainments that we make so little use of our sewage, not only wasting it, but polluting good water in the process. Mr. Bailey Denton has recorded his experiences on intermittent filtration in a practical volume. The sewage from five million persons, he contends, at $\frac{1}{4}$ d. a ton, applied to land by his method, would "amount to upwards of £300,000 a year." Dr. Munro has recently published an account of experiments made by him with filter pressed sewage sludge (*Mark Lane Express*, March 2, 1885), from which it appears that five tons of sewage sludge, upon plots

of an acre each, in poor chalky soil, yielded from 9 tons $\frac{1}{2}$ cwt. to 10 tons 4 cwt. of roots, against 13 tons 11 $\frac{1}{2}$ cwt. per acre from 10 tons of farmyard manure and 11 tons 2 $\frac{1}{2}$ cwt. from 4 cwt. of superphosphate, the unmanured acre yielding 5 tons 18 cwt. The compressed sludge costs to make and buy 5s. per ton, and, if freed from moisture so as to make it more portable, it should become a valuable product.

NEW USES FOR IRON AND STEEL.

The cure for excessive production in iron and steel is best to be found in two ways—in newer and cheaper methods of steel-making, and in newer uses for iron and steel. The Bessemer process requires a special kind of ore, only found in this country in Cumberland and the north of Lancashire. Very large importations of Spanish ore take place for this method of steel-making. The “basic” process deals with hematite ores, of which we have large supplies. But it has not paid to work these inferior ores of late, and use the process extensively, and hence the depopulation of the hematite ore districts of recent years. A rise in prices or freights would be of material advantage in many parts of England, and produce a remarkable revival. The supersession of iron by steel rails, which gave trade a fillip for a time, has become a serious matter. The life of an iron rail is ten years, and of a steel rail, thirty years. About half the existing lines remain to be transformed, and then the demand for renewals will steadily decline. The conversion of ships from iron to steel has only just commenced, and is confined to passenger vessels. A steel vessel, tonnage for tonnage, has 20 per cent. more carrying capacity. The first steel ship launched on the Tees was not inaptly christened “Transition.” Steel-shipping has not much chance, however, in the present glut of vessels. Railway extensions are probable in India, Canada, South Africa, possibly from Zanzibar to the lakes, and also along the Congo. China may yet become a rail-buying country. Branch lines in England do not promise much work. It is possible we may hereafter substitute steel sleepers for wood, in which case the weight required per mile would be the same as that for rails, viz., 240 tons per mile for double lines. Iron and steel telegraph posts are also recommended. In constructive and ornamental art, there is still an immense field for iron. The Sion and Bellinzona balconies Mr. Ruskin has reproduced (*Two Paths*’ frontispiece), are fine examples of work in new fields for British artisans. The burst of inventive power which has marked the new Patent Act should be of service to the iron and steel trade, as well as a revival of agricultural and manufacturing activity.

NEW MARKETS, CUSTOMS' UNIONS, AND COMMERCIAL TREATIES.

A desire for new markets is veiled in a good deal of what passes for a new imperial spirit. We feel the force, as an expanding race, of Bacon's pithy saying, that "It was not the Romans that spread upon the world, but the world that spread upon the Romans." A desire to civilise is a desire to trade, to benefit inferior races, and to sustain British interests. But it may be asked, how near are we to the end of the process? A table of the world's population, showing the immense preponderance of the uncivilised over the civilised races, is a sufficient answer to any doubts as to primary wants, leaving the more civilised wants out of the question. Under the surface of our present depression, it is hopeful to trace new markets asserting themselves. Trade with Algeria, Morocco, and all parts of Western Africa, is increasing. The French possessions in Western Africa took £124,636 more goods from us last year than in 1883, and the Portuguese possessions, in the same quarter, £378,042 more. There was also a marked improvement in exports to Hayti and St. Domingo, to Peru, Uruguay, and the Argentine Republic. In Central Asian markets, Russia will push us out if she can. A correspondent with the Frontier Commission writes (*Standard*, March 16, 1885): "All these Afghan (Hugara or otherwise) cloths are warmer than ordinary English warm clothing. English warm cloth, as sent to the Indian markets, is not thick enough, and has been too much compressed. I have observed that in Kusan, Khosk, and the Bala Murgab, the white cotton goods are English, and the coloured prints all Russian. The piece goods of English make are in much regard and demand, and they sell for about twice the price they command in Bombay. The English goods all bear Manchester marks." He thinks the extension of the Quetta railway to Candahar would increase our trade with Afghanistan and Central Asia.

Can we do any good by Customs' Unions? M. de Molinari, the French economist, has suggested a Free Trade Customs' Union between England, Holland and Belgium. He thinks that a common tariff is possible. The Verviers Chamber of Commerce has for 20 years advocated the abolition of customs' duties, in the interest of its woollen industry. Ghent, the cotton centre, remains Protectionist, but a Customs' Union might develop weaving as a compensation. "An Anglo-Dutch-Belgian union," he says, "would comprise three countries whose foreign trade amounts to about £1,000,000,000, and forms nearly two-fifths of the foreign trade of Continental and insular Europe. United, these Free-Trade countries would have great power of expansion, and be capable of confronting Protectionist countries.

After being too long on the defensive, would not Free Trade in those three united countries be a wedge driven into the worm-eaten trunks of Continental Protection?" (*Times*, January 23, 1885). The objections to such a union are obvious. It would be war; hostile customs' unions would follow; and restrictions would begin, all round. There is no need for any aggressive pact. As commerce follows the line of least resistance, Holland and Belgium have only to lower their tariffs, and copy our example, to obtain any extension of trade that free imports would give.

A closer union between England and her Colonies is a much more important matter, as the Colonies are relatively less developed, and have consequently greater powers of absorption than countries like Holland and Belgium. Mr. G. Baden Powell has so exhausted this part of the question that little room is left for anything but his results. He shows that our European is not increasing in proportion to our Colonial trade, that our trade with Australia equals that with France, that a large inter-Colonial commerce is growing up, that only two out of eight self-governing Colonies have lapsed from Free Trade, that young countries, sparsely populated, are best engaged in producing raw materials, and that the English nation, "if it remains in close commercial union, is only in the infancy of its career. All that is necessary," he adds, "is that by the direct means of the spontaneous action of enlightened local government, the various communities of the British Empire may come to subscribe, each in its own degree of autonomous action, to an agreement to keep its tariffs low." A future of "unprecedented prosperity" would follow. (*State Aid*, p. 170.) The mistake we made in allowing self-governing Colonies to have a free fiscal policy must not be repeated. Hong-Kong, Singapore, and Gibraltar, are free and thriving *entrepôts*, and such other Colonies as act under imperial tariffs extend and prosper. Closer commercial union would keep the stream of emigration within the Empire. How great a gain this would be, may be seen in two ways; by the value to the Colonies of the labour and capital sent out to America, and elsewhere, which Mr. Graham has averaged at 35 millions a year since 1837, and by the home-remittances, put at £19,800,000, between 1846 and 1878.

A commercial treaty, like the old town charters of feudal times, is a truce. Since 1860, we have come to see that these bargains have not all the advantages popularly attributed to them. Regulation is still restrictive; the true principle of international dealing is perfect freedom. The next best is that of the most-favoured nation clause, which we are happy to say was the basis of the long-pending [but now unfortunately rejected] *modus vivendi* with Spain. Such a basis would give us a virtual Customs' Union of the best type.

MISCELLANEOUS REMEDIES.

Economic national administration, even if our aggregate wealth may grow, is always to be desired. The more money that is left, as Sir Robert Peel said, "to fructify in the pockets of the people," the better. Our expenditure has increased at the rate of 6s. per head since 1873. Economy in Imperial affairs is nearly always coincident with prosperity, though it is noteworthy that, when we are on the top of the wave, we are apt to relax our notions of economy, and assume new burdens, to find getting rid of them no easy matter in duller times. Mr. Gladstone has, in his finance, employed the income-tax as the means of keeping up revenue, whilst he liberated the springs of industry. An equitable adjustment of indirect taxes is still wanted, as the direct ones bear a large share of the burden. It is suggested, for example, that if we abolished Customs, which cost us $8\frac{1}{2}$ per cent. to collect, against 2 per cent. for direct taxation, and we increased and re-adjusted the house duty, we might easily raise six millions a year more than Customs bring us, and enormously extend trade. Local taxation needs to be completely overhauled, along with local self-government. Mr. Edwin Chadwick contends (*The Farmers' Almanack*, 1885) that we might save three millions by improved local administration, eight millions by putting our highways under scientific engineering management, and half-a-million by consolidating the Police Force. The assumption by local authorities of complete control over the gas and water supply would also show gains similar to those in Birmingham and Manchester. Our Chambers of Commerce, instead of busying themselves so much with trade-administration, might turn more of their attention to trade development, new industries, and general advancement. A better system of Consular Reports on trade, on the lines adopted in the United States, would also be advantageous. An increase of thrift, better protection for Friendly Societies, and from insolvent trading, are needed. The late Mr. Fawcett has shown us how much good may be done through the Post Office in promoting small investments. A careful system of emigration has yet a fine field before it.

CONCLUSION.

The general results of our survey must be considered encouraging. There is nothing in the causes of existing depression to suggest the obstinate decline, or permanent enfeeblement of our trade, and whether a revival be near or not, gradual and general, or quick and partial, the remedies we have suggested should be useful as helps to progress, upon old as well as new lines. A time of depression is one of stock-taking, and it compels

us to study the working and inter-working of home and foreign trade, the hindrances to new developments and new industries, the causes of imperfect production or waste, to rid ourselves of unhealthy business, to arrest unsound speculation, and to sharpen our wits in contact with hard facts. Perpetual adjustment to new conditions is as necessary in trade and commerce as in other forms of national life, and whenever depression occurs the necessity is laid bare, as the revival of trade asserts that the adjustment has been made. The depression of 1866 would probably have lasted longer but for the war between two great trading nations which brought the Germans to Paris, arrested their commerce, raised prices, and gave an immense impetus to business, by bringing into use the long-accumulated savings of France, in the form of the Indemnity. The inflation that followed could not, in the nature of things, be permanent. Unfortunately, it has been our standard of comparison and vitality ever since. In putting forth new energies to meet new conditions, we paid less attention than wise people should do to the contraction certain to succeed. Subsequent distractions have prevented contiguous and distant countries from affording us compensating advantages. We are now suffering, in common with the whole civilised world, from low prices, and want of confidence in the continuance of European peace. Our exports increase in volume, but diminish in value. As we do the largest trade in the world, our share of the depression would be the largest but for our free imports, by which we recoup ourselves. Lessened food-prices and raw-material prices have given us their compensations, and of their value we cannot speak too highly. The non-manufacturing classes are able to live more economically, and up to a better standard, whilst recovering gradually, under the effect of low prices, from the failure of foreign investments. The future can be faced with a better front. Even manufacturers say they can do very well with three good years out of five. Our neighbours, less wise in their tariffs, dip deeper into their resources at every period of depression, and are longer in rising again into anything like a wider and more evenly-diffused prosperity. France, Germany, and Austria are preparing for themselves a wasted inheritance by taxing food-products when they need them most to be free. In the United States, the free avenues of trade are leading to a more rapid spread of population over the new territories. Emigrants are drawn from Europe, the labour market is relieved, and every accession of prosperity reacts upon England and her trade. In England, M. Michelet has said, "the land outweighs man." In times of trade depression, or surplus labour, new lands are man's salvation. He returns to the primitive source of all wealth, and his labour and his wants create new wealth, and call more trade into existence. In this way the aggregating tendencies in the Old World correct

themselves in the New. Manufacturing energy concentrates population, its depression circulates it; and with so much of the earth's surface in an undeveloped state, or capable of climatic modifications by human brain and muscle, it is difficult to conceive a period when either process shall cease. Our Colonies thus stand to us as a perpetual compensation for our insularity. Nor, in this view of interchange between fully and sparsely peopled countries, is it unnatural to look for the first signs of better trade to manifest themselves where the bad signs so often begin—in the United States.

Nothing we have noticed warrants a belief in the taking of our trade by other countries, or in those curious influences which so constantly bring about the migration of industrial activity. No single nation is at this moment more prosperous than we are, or pushing any one of our staple industries into new regions of manufacture. The volumetric variations in our special trades are not in themselves unhealthy signs, but the reverse, because we have more industries, and our net is cast over a larger expanse. As towns do best where there are several industries, so do nations, because all are never equally depressed at the same time, even when prices are uniformly low. There is no impairment in our natural resources. Our supply of coal and iron shows no sign of failing; we are rather husbanding it. There is no deterioration in the character of our labour, with, perhaps, a slight exception in the case of agriculture, due to machine-using by men unused to it, and to the attractions of towns and the Colonies for the more enterprising. Technical and ordinary education are improving the tastes and pursuits of the young. Handicrafts are ceasing to be regarded, as they formerly were, with aversion. Sanitation is improving the health of our industrial towns, whose death-rates compare favourably with the death-rates of the best-managed foreign towns. Sobriety is spreading amongst all classes. If the people are far from being as well housed as they ought to be, it still cannot be said of them, as it was in 1841-48, that the poor were "living upon each other's backs." The rewards of scientific research are full of promise for the future. Our prosperity has not been undermined; the national credit is good; the Empire has received no check. We are suffering from what physicians call a "nervestorm," and it will pass away, leaving us bright and active again. The pessimist may find an abundance of little facts to aid him in building his theory of England's decline, as he has been doing ever since Lord Bacon's time. But the optimist has a surer ground for his hope, in the prosperity and expansion of the past half century, and in the indomitable energy and native shrewdness of the British people.

March 31st, 1885.

THE "PEARS'" PRIZE ESSAYS.

THE PRESENT DEPRESSION IN TRADE:
ITS CAUSES AND REMEDIES.

"Spero Meliora."

BY

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THE PRESENT DEPRESSION OF TRADE: ITS CAUSES AND REMEDIES.

INTRODUCTORY.

THE greater movements in trade are now commonly regarded as cyclical in their character. They present a certain analogy to the tides ; there are great general movements upward and downward, accompanied by constant but subordinate undulations. First there comes an expansive upward movement, then a pause, then it is found that the culminating point has been passed, and a persistent backward movement sets in, which is followed by a period of dulness and depression. This is the ebb, and ultimately the symptoms of a new flow begin to appear. A normal trade-cycle is supposed to occupy ten or eleven years. Many facts can be adduced in support of this theory, but even if we grant its validity we are not thereby absolved from the necessity of inquiring into the condition of trade and industry at any given time, or into the circumstances of each "depression," "revival," "inflation" and "dulness," as particular parts or phases of the cycle are named. These circumstances differ not a little, just as one depression or inflation differs from another in intensity and duration. Another preliminary remark seems called for. With our extended commerce the cyclical economic movements have become world-wide in their manifestations. Countries are much more interconnected by commercial relations than they used to be. Not only is there a greater division and subdivision of employments in manufacturing countries, but all countries are being more and more drawn into one vast co-operative system, in

which any powerful influence affecting one part is apt to spread over a wide area, and even to extend to the extremities. Not only is England the workshop of the world, and as such interested in the "purchasing power" or economic welfare and prosperity of the world, but it has large investments of capital in its Colonial possessions and in foreign States—in American railways and land, mortgage and cattle companies, as well as mines; in loans to South American governments for the construction of railways and other public works, and to Russia, Turkey and Egypt—ostensibly for similar purposes and for the development of resources lying dormant from want of capital; in banking concerns in many parts of the world; in mercantile enterprises still more widely spread abroad; and, lastly, in a mercantile marine which carries a very large proportion of the world's transport trade, and whose prosperity depends on the extent to which nations have marketable commodities to exchange for the marketable commodities of other nations. The prosperity or unprosperity of Colonial and foreign countries affects not only their "purchasing power" and demand for the products of British manufacture, but it also affects the carrying trade in which this country is so largely interested, and the return upon British investments abroad. Circumstances temporarily influencing the economic condition of some particular part of the world—a failure of the Indian monsoon, for instance, or a failure of the fertilizing overflow of the Nile, or adverse meteorological conditions affecting the crops of any extensive tract of the earth's surface at a critical stage—not only make all the difference between prosperity and the want of it in food and fibre-producing countries, but react on all places with which those countries have commercial relations, and on the industries that produce the goods for which, in ordinary seasons, the surplus food and the full crop of fibre are exchanged. The cyclical movement is thus subject to considerable modification from local and temporary causes. Other agencies of disturbance, such as wars and blockades, financial crises, and discredit, though localised in particular areas, are similarly prejudicial to the general prosperity. A famine, a war, or a financial breakdown, may indeed, through creating an exceptional demand for the commodities which nations not within its range have to sell, or by encouraging the transfer of capital to those nations, contribute to their gain. But the gain, like the loss, is local; it is gain at the expense of the nations within the area of the disturbance.

These great periodical movements of trade may be conveniently illustrated by the statistics of the external trade of the United Kingdom. The following table, which is derived from the official figures of "The Statistical Abstract," shows (in millions) the amount of the imports and exports of this country

during each of the last twenty years, with the whole external trade and its ratio to population :—

	Imports.	Exports.	Together.	Per head of Popul.
	Million £.	Million £.	Million £.	£ s. d.
1865	271	219	490	16 8 2
1866	295	239	534	17 5 2
1867	275	226	501	16 1 3
1868	294	228	522	17 1 3
1869	295	237	532	17 4 6
1870	303	244	547	17 10 10
1871	331	283	614	19 10 1
1872	355	314	669	21 0 6
1873.....	371.....	311.....	682.....	21 4 9
1874	370	298	668	20 11 10
1875	374	281	655	20 0 4
1876	375	257	632	19 1 11
1877	394	252	646	19 6 9
1878	369	245	614	18 3 6
1879	363	249	612	17 18 3
1880	411	286	697	20 4 10
1881	397	297	694	19 17 5
1882	413	307	720	20 7 10
1883.....	427.....	305.....	732.....	20 11 3
1884	390	295	685	(19 1 1)

From these figures it appears that in the course of the twenty years to which they relate there has been one complete cycle of trade, preceded by the termination of another, and followed by the beginning of a third. A period of depression reached its lowest point in 1867, or possibly in the early part of 1868; and from the low-water mark of that time a continuous rise took place till 1873, when the culmination took place, and recession again began. The backward movement then continued for five or six years. In 1879 the tide once more turned, and there was a rapid advance in 1880, then a pause, followed by a further great expansion, and, too soon, the inevitable reaction, of which it is to be feared we have not yet seen the end. In the month of February recently closed, our imports were $19\frac{1}{4}$ per cent. less in value than those for February, 1884, while the exports showed for the same period a falling-off of about 11 per cent. We shall deal later on with the statistical data in relation to some of our leading industries; but here we have the broad result that our export trade has been undergoing

a rapid shrinkage. Shrinking trade means want of profit, losses and difficulties, general depression, and scarcity of employment in the industries concerned in the manufacture of the products in connection with which the depression is manifested. For trade and industry are inseparably linked together. The table shows a period of twelve years, counting by annual periods, between two stages of greatest depression, and of ten years between the two culminating points of good trade. As a reflex of the actual state of trade, however, the figures cannot be regarded as more than approximately correct. In the early part of the period of reaction and shrinkage, especially, the statistical results are apt to follow sluggishly in the wake of the real economic movement. Prices fall, but the quantities of goods dealt with may even increase. And when the reaction is in full progress, the falling-off in total value is due either to shrinkage of prices, or shrinkage in the volume of trade, or more commonly to both causes together but in very unequal proportions. Thus in 1884 there was a relapse of nearly 36 millions in the value of the imports into the United Kingdom, of which about one-third was due to diminution of quantity, and two-thirds to fall of price. With regard to exports a different order of things is presented. Here the decline in value is ten millions, but in the quantity of goods exported there is an increase of nearly two millions' worth, so that the fall of price really comes to about twelve millions.*

I.—THE CAUSES.

In considering the causes of the present depression of trade, it is necessary to examine, in some little detail, the earlier course of the cycle. The expansion began in the second half of 1879. It originated in an impulse that came from America, in the form of an active demand for various kinds of manufactured goods, and especially for railroad iron and iron generally. In response to this demand, a great rise in the price of pig-iron took place in the autumn, and the prices of many other kinds of products rose in sympathy. The harvest in this country had been unpropitious almost beyond all precedent, but in spite of this highly adverse circumstance, a new life, as if by magic, was imparted to trade. Shipbuilding, which had for several years been in a languishing condition, suddenly sprang into activity. There was a rise in the produce markets, in textile goods, in chemicals, on the Stock Exchange. Everybody thought that things were going to improve, and by so thinking everybody helped to bring about the improvement. Applications

* See *Economist*, Jan. 24 and 31, 1885, pp. 99 and 129.

for capital by promoters of joint-stock companies became numerous, and were freely responded to by the public. Speculation ran high in America as well as here. In 1880 more than 7,000 miles of new railroads were constructed in the United States, and next year the additional mileage was greater still. For the construction and equipment of these lines, the iron-producing power of the United States themselves was strained to the utmost, and large orders continued for a time to be placed in this country. The effect upon the British iron trade of this extraordinary demand for iron on American account can be gathered from the returns of—

THE QUANTITIES AND VALUES OF OUR EXPORTS OF IRON TO THE UNITED STATES DURING EACH OF THE UNDERMENTIONED YEARS.

(In thousands—000's omitted.)

		1879	1880	1881	1882	1883	1884
Quantity,	Tons	721	1,370	1,175	1,212	707	455
Value,	£'s	5,192	10,047	8,576	9,068	6,333	4,672

Railroad construction in the States was carried much too far in 1880, 1881, and 1882. In the course of the last of these three years, this form of speculation collapsed. Investors became less confiding, and the requisite capital could no longer be raised. Thereupon the exports from this country fell-off to a great extent. The British iron-trade, which had received a great stimulus from the keenness of the American demand, began to experience a certain amount of reaction the moment that demand began to slacken.

The recent history of shipbuilding is still more instructive in relation to our present subject. An enormous expansion of this industry took place about five years ago. In 1881 a greater tonnage was built than had ever been built before in any single year, and still larger additions were made to the register in 1882 and 1883; besides which there were many vessels built in this country to foreign orders. So great, indeed, was the demand for ships that riveters on the Clyde were earning as much as 25s. a day. The out-turn of new tonnage from the shipbuilding yards of the United Kingdom during the last six years has been as follows:—

(In thousands of tons—000's omitted.)

1879	1880	1881	1882	1883	1884
570	796	1,013	1,241	1,330	820

In 1883 the reaction began, and, once begun, it soon passed

into deep depression. The supply of ships had run far ahead of the requirements of commerce. Many large vessels had been built for the carriage of corn, and last year, owing to the good harvest in this country, the importation of cereals was $1\frac{1}{2}$ million tons less than it had been in 1883—in round numbers, a reduction from $7\frac{1}{2}$ to 6 million tons, or 20 per cent. This alone was sufficient to make a serious difference to the shipping trade. But building had run far in advance of actual requirements, and when the new tonnage was greatest, trade was beginning to shrink. Many vessels have had to be temporarily laid up, and the freight-market is so depressed that much of the trade carried on is not remunerative. It was reported lately that the transport of stores from this country to Suakim had been contracted for at the rate of 17s. 6d. per ton, as compared with 28s. for the shorter distance to Egypt in 1882. The depression in shipping is manifestly due to the two-fold influence of overbuilding and the shrinkage of trade. How great the augmentation of carrying-power in recent years has been is partly shown by the following table, derived from a statement prepared by the North of England Steamship Owners' Association,* of

RECENT ADDITIONS TO THE STEAM TONNAGE OF THE UNITED KINGDOM.

	Added to Register.		Removed.		Net Additions.	
	No.	Gross Tons.	No.	Gross Tons.	No.	Gross Tons.
1880	406	493,000	182	168,000	224	325,000
1881	465	608,000	217	212,000	248	456,000
1882	543	801,000	247	259,000	296	542,000
1883	678	902,000	237	265,000	441	637,000
1884	537	600,000	284	209,000	253	391,000

This increase of carrying power is mitigated to some extent by a decrease in the number of sailing vessels. Still, on a comparison with ten years ago, our mercantile marine has increased to a prodigious extent in working capacity. The comparison is as follows :—

		1873	1883
British sailing vessels	Tons,	4,091,000	3,514,000
„ steam „	„	1,714,000	3,728,000

* *Newcastle Chronicle*, February 13th, 1885.

Some authorities say that in the course of a year four tons of a sailing vessel are equal for carrying efficiency to one ton of a steamer, and others put the advantage in favour of the steamer not quite so high. Much, of course, depends on the trade. Following the example shown by Mr. Williamson, M.P., himself a shipowner, in a recent article in one of the reviews, let us regard the carrying power of steamers as only three times that of sailing vessels. The true increase of carrying power can then be shown by converting the steamers into terms of sailing tonnage. Thus—

	1873	1883
Sailing vessels as above . Tons,	4,091,000	3,514,000
Steamers, multiplied by 3	„ 5,142,000	11,184,000
Total carrying power	„ 9,233,000	14,698,000

This is an increase of no less than 59 per cent. in a single decade—an increase quite out of proportion to the growth of commerce. Mr. Williamson mentions the case of a steamship company which has come into existence within the last few years, and has launched a fleet which would measure about two miles in length if the vessels were placed end on end;* and he justly remarks that “not only has ill-advised enterprise of this description been most unprofitable to those concerned, but it has spread dismay among all the other companies with which its necessities have compelled it to enter into competition.” In view of the foregoing statistics, and of facts of this kind, it becomes easy to understand how the shipping industry has been brought into its present depressed condition. *There has been an excessive production of ships—an increase of carrying power out of all proportion to the needs of commerce*; and now that the volume of commerce has been undergoing one of its periodical contractions, the grip of adversity has fallen with all its force on British shipping. From the same cause shipbuilding equally suffers. It was greatly overdone two or three years ago, as we have seen, and now it has to bear the brunt of extreme depression. Few firms or companies are in want of ships; what they want is rather employment for those they already possess. And there are very many ships for sale, which renders shipbuilding all the more unnecessary in the meantime. There is, indeed, the temptation of cheapness, and as soon as people are convinced that the lowest point has been reached, and that revival is in immediate prospect, activity of building will be resumed. But the large amount of tonnage unemployed does not encourage too sanguine views just yet.

* *Fortnightly Review*, January, 1885, p. 76.

The interdependence of industries is manifest from these considerations. Shipbuilding depends upon shipping—on the state and supposed prospects of the freight market. Shipping is brisk or flat according to the general state of commerce and the volume of commodities to be moved from place to place; and upon shipbuilding a number of industries are more or less dependent, including the iron trade, in several of its leading branches, and the coal trade. When shipbuilding and railroad-construction were in full swing the production of iron was in full and prosperous activity. The following figures show the number of furnaces in blast and the quantities of pig-iron made in the United Kingdom during each of the last five years:—

	1879	1880	1881	1882	1883	1884
Furnaces in blast	No., 458	590	525	562	506	456
Pig-iron made.	Thousand tons, 6,009	7,721	8,377	8,493	8,490	7,529*

The extraction of coal, which had shown no appreciable increase for several years, rose from 134 million tons in 1879 to nearly 147 million tons in 1880, 154 million tons in 1881, and 156½ million tons in 1882, which rate of extraction has been maintained, and even slightly increased, owing in part, at least, to an increased exportation of coal.

The textile trades are suffering from depression, but it is manifested in a fall of prices, and not in a contraction of volume. The declared value of our exports of textiles in 1884 was 110 millions, which was a decrease of 1½ millions on the figures for 1883. But had the quantities for 1884 been valued at the prices of 1883, instead of a decrease of value there would have been an increase of nearly 2½ millions, so much greater were the quantities in the later year. The decline of money value on the quantity of textile goods exported in 1884, as compared with the prices of 1883 was therefore about four millions instead of the million and a half shown in the returns. The volume of trade increased, but prices shrank to this serious extent. Of British produce and manufactures altogether there was exported last year an increased quantity, which, at the prices of 1883, would have brought in about three million pounds more than the exports of that year did, or an increase of 1¼ per cent.; but instead of this there was a decreased value of nearly 10 million pounds, or 4¼ per cent.† This shrinkage of value must have told heavily somewhere. To a certain extent, no doubt, it had been mitigated by savings on the cost of raw materials, but after this has been fully allowed for a large margin must remain. Falling markets are

* *Economist*, "Commercial History and Review" of 1884, pp. 29-32.

† *Economist*, January 31st, 1885, p. 129.

not favourable to the making of profits, and may easily lead to most serious loss. In point of fact, the greatest of textile industries, the cotton trade, has not been very prosperous for a number of years. A variety of causes have contributed to this result. There has been, for one thing, a great increase of cotton-manufacturing machinery in America and on the continent of Europe; and in this country there has also been a vast growth of productive power both through improvements in machinery and through the multiplication of mills and looms. This increase of productive power and of competition contributes to such results as that to which attention has just been directed, namely, increase of production in the face of declining markets. Then, again, any slight improvement of trade is immediately met by an increased outturn, so that the markets are sated and flooded before the improvement has time to make much progress. Seldom, nowadays, are our productive resources utilised to anything like their full extent. The working-day has been shortened, and the industrial machine—capital as well as labour—lies idle during a greater proportion of the twenty-four hours. In the keen competition of the time the large factory, with its greater economies in buildings, motive power, and superintendence, tends more and more to crush out the smaller; new machinery, with all the latest improvements, works at an advantage over machinery that has become antiquated. But the small factory and the antiquated machinery maintain a lingering existence. They are forces in reserve, and when trade is good they can be worked to profit. In their degree they are effective in keeping production fully abreast of the requirements of the markets, and in warding off such a pressure of demand as would lead to a great rise of prices. They are instrumental, among other agencies, in maintaining trade in a condition falling short of extravagant prosperity. Two or three years ago the outturn of the manufactories, mines, and workshops of the United Kingdom was greater than ever it had been before; nevertheless it was not up to the full limit of our actual and obvious productive power. The extraction of minerals fell far short of the possible output from the mines opened; the iron trade was prosperous on the whole, yet there were furnaces out of blast; the textile industries were active, but in the great seats of textile production some mills were closed and many looms were silent. The knowledge that a great increase of production could take place almost immediately, discourages speculation, prevents the accumulation of stocks during cheap times, and tends to protract the cheapness and sluggishness indefinitely.

— The sum and substance of the depression of trade may be expressed by saying that *the production of great classes of commodities has outstripped the cash demand for those commodities.* This proposition involves two distinct matters, the excess of



production and the falling short of this "cash demand" or purchasing power.

Certain of the facts concerning over-production have already engaged our attention, but one fact of a fundamental character has still to be discussed. Production is excessive in particular departments because too much fixed capital is applied to it in those departments. Floating capital can be diverted to a more profitable channel as soon as depression sets in, but fixed capital does not admit of this ready transferability. Buildings, especially large factories, are not readily adapted to new purposes; furnaces can be nothing but furnaces; machinery suited to one kind of manufacture is quite unsuited to another. When depression comes, fixed capital for which there is no employment has to lie idle. Floating capital may be either wasted away in a losing trade or, more probably, is in part temporarily withdrawn for other use, or to lie dormant in swelling the banking "reserve." This withdrawal of capital that has not become fixed at once diminishes production; the labour which it formerly employed and remunerated is left unemployed, and all the distressful symptoms attending the contraction of industry are brought about. Skilled labour in these days, when employments are so much divided and subdivided, is nearly as difficult to transfer into some fresh department of activity as fixed capital is; and in times of severe depression there is little advantage to be got, in general, by migration or emigration to other seats of the same industry. Our modern trade depressions are very wide in their scope.

Complaint is made, and not without some reason, that the depression of trade is aggravated by the action of joint-stock companies, under limited liability, engaged in productive industry. A joint-stock company with many shareholders cannot withdraw any portion of its capital in bad times, but is under what practically amounts to compulsion to go on producing on the old scale. It has a staff of officials, whose counsels, in accordance with their interests, will be to carry on as before the over-production began; a board of directors who look for their fees; and a body of shareholders who may have little influence on the management, and who individually have other sources of income and are able to comfort themselves with the thought that, after all, their liability is limited, and that even if this company should collapse they will not be ruined. In this way the tide of production flows on, and fresh accumulations of unsaleable goods are thrown upon the already overstocked markets to aggravate and prolong the depression; whereas, some little slackening at an earlier stage all over the range of the particular trade would have kept the over-supply within bounds, and shortened the interval that must elapse before prosperity revives. Under the Limited Liability Acts there is a

too ready inflow of capital into manufacturing industries, and too little elasticity in meeting adversity. In private enterprise, no doubt, the first impulse of the capitalist, when he finds his profits falling-off, is to increase production and so to earn his old income by a greater overturn with a smaller margin of gain; and this increases the mischief. But the comparative irresponsibility of limited liability companies leads to far greater, because more persistent, evils of the same kind, though somewhat different in the form of their manifestation, and in the causes to which they are due.

So much for over-production. Then, as to the other aspect of the case—the falling short of what we have called the “cash demand,” that is, of purchasing power or consumption—the first remark we have to make is the obvious one that this demand is lessened when from any cause the resources of consumers become contracted. One of the causes of this contraction of resources is traceable to the interdependence of industries already briefly noted.* The dulness in one trade makes dulness in others; depression in one country causes depression in other countries with which it has extensive commercial relations. As the greatest of manufacturing and carrying nations, the United Kingdom has a stake in the prosperity of nearly every part of the world. Wherever prosperity prevails, British trade and shipping participate in that prosperity. On the other hand, adversity can hardly exist anywhere in the world without immediately reacting on British commerce and manufacture. The shipping trade manifestly depends upon the quantities of commodities which different nations have to export, and the quantities of other commodities of British and foreign origin which they are willing to purchase with their surplus. As wealth and population increase in foreign countries, those countries tend more and more to become competitors with the United Kingdom in its special domain of manufacturing industry, and they may entirely cease to be importers of particular products. But it does not follow that the trade of those countries will thus be lessened. If they no longer import the cotton or woollen fabrics they require, they may perhaps increase their imports of machinery, or of coal, or of hardwares. New countries have not many industries, and are devoted mainly to the production of raw produce. The first settlers betake themselves to agricultural, pastoral, or mining pursuits—to what are conveniently called the “extractive” industries. There is little manufacture beyond the simple handicrafts dependent upon the prevailing occupations, and inseparable from them. Such manufactured commodities as these young communities require have nearly all to be imported. There is much raw produce to exchange—corn,

**Supra*, p. 68.

meat, wool, hides, furs, timber, cotton, sugar, or metals, as the case may be. In all probability a considerable part of the raw produce exported by such communities will represent the payment of interest on loans and investments embodied in railways, land improvements, plantations, and the like; but part will be virtually, though not ostensibly, the purchase price of imported commodities. For all international trade is in reality barter obscured by the intervention of credit documents. Any circumstance affecting prejudicially any of the staple industries of a raw produce country, affect no less its external trade. Crops may fail, or cattle and sheep perish, because a season has been exceptionally cold and stormy, or exceptionally hot and dry; timber or metals may so fall in price on account of the depression of trade in foreign countries as no longer to bear the cost of extraction and transport. Then again, when a new country is being opened up and colonized, much capital is laid out in such a way that it cannot be recalled. It is sunk in mines and their machinery, in the reclamation of land, in cotton or sugar plantations, in cattle or sheep farming, in railways and other permanent works; and much of the land is probably mortgaged. For a time there is the appearance and probably the reality of prosperity. Shiploads of emigrants arrive, and the whole atmosphere is instinct with progress and enterprise. Presently a cloud appears; the sky becomes overcast; prices fall; produce cannot be sold at such a price as will pay expenses. Then comes financial trouble, or perhaps it has preceded the fall of prices; discredit prevails; loans are called up and new ones cannot be obtained; some mortgages are foreclosed. The process of exploitation has been overdone, and the penalty is being paid—not alone by the new country itself, but by the British industries that were stimulated into feverish activity by its demands for railway materials and other goods.

This description is applicable more or less to recurring passages in the history of the United States and Canada, of the Australian Colonies, and even of the South American countries with which British relations are less intimate, but where, nevertheless, a good deal of British capital is employed. Alternating activity and depression are the order of nature in all these countries; and both the activity and the depression are aggravated by the great rapidity of exploitation, and by a too free use of borrowed capital.

The present depression began with the collapse of the railway mania in America in 1882. Excessive production of ships continued to go on for a year or two longer, but that, too, in time came to an abrupt termination. A main factor, recently, apart from financial troubles in America and in the East, has been the excessive production of wheat, which has lowered the purchasing power of all wheat-exporting countries, though it has

also mitigated the effects of the depression by lowering household expenditure. The extension of wheat-growing of late years has been exceedingly rapid. In the Australian Colonies in 1867 the breadth of land under wheat did not much exceed a million acres. By 1872 it had increased to a million and a half, by 1877 to nearly $2\frac{1}{2}$, and by 1882 to $3\frac{1}{2}$ millions—thus showing an increase of 250 per cent. in fifteen years. The United States had in 1878 100 million acres under grain crops, and in 1883 130 millions. Another important increase is shown by Canada, including the recently opened North-West, where, in Manitoba alone, the production of wheat was five million bushels in 1883 as compared with one million in 1881. In India the exportation of wheat increased by more than a million quarters within four years. To this last-mentioned fact, together with the circumstance that in 1884 a good harvest was obtained in nearly all countries, our own included, is to be attributed the unprecedentedly low price to which wheat has recently fallen. The imports of wheat and flour into this country in 1884, were equal to about two million quarters less than the average of the preceding five years—so much better was our home harvest. Thus it has come about that over-production, the result of the increased acreage sown, and of an exceptionably favourable season, has had an effect that might even be called disastrous in some of the wheat-growing countries, aggravating previous depression and trouble, lessening their purchasing power and the volume of their trade and diminishing their attractiveness to emigrants.

So likewise in sugar—the great increase of production has established an unprecedentedly low range of prices. Thirty years ago $1\frac{1}{2}$ million tons of sugar sufficed for the wants of the world. Twenty years ago the consumption reached two million tons, and ten years ago it was about three millions; but the production now exceeds four million tons per annum, and under this prodigious increase of production the markets have been showing manifestations of surfeit.

The cheapness of wheat, sugar, and other articles of general consumption is of great advantage to all classes in their character of consumers. To persons in receipt of fixed incomes, or whose incomes are not lowered by the depression of trade, it is an unmixed advantage. The prevailing cheapness makes a time of comparative depression in trade more favourable than a time of trade-activity and high prices to the special interests of very many members of the community. But this is subject to one all-important condition—that their income is fixed not only in amount, but also as regards certainty of payment; and unfortunately trade-depressions do not last long without bringing slackness of employment and depression of wages in their train. And while, in relation to consumption, low prices of the staples of food are a mitigating agency in adverse times, they are also,

as we have seen, instrumental in adding to the depression by diminishing the purchasing power of the producers. If the prices of all commodities, with equal rapidity, and without disturbing their ratios of value one to another, underwent a uniform shrinkage, then the fall would be merely nominal. A smaller quantity of gold or of silver would be required for the purpose of discharging the functions of a medium of exchange; and that would be a convenience rather than otherwise. There would be one serious disadvantage, indeed, inasmuch as debts would have to be discharged in terms of the currency, without reference to the new range of prices. Debtors would suffer and creditors would get more than was really their due. But the movements of prices do not proceed in this uniform way. There is always a very general fall of prices in times of trade depression, but in relation to some commodities the fall is much greater than it is in relation to others. Thus in the present depression, the fall in wheat and copper has been much greater than that in butchers' meat and cotton-goods.

But while some trades, from special causes, suffer much more than others, a fall of prices invariably accompanies depression of trade. We have heard much of late about "appreciation of gold" as a factor in the present depression. It is quite possible that to this cause some little influence may be justly attributable; but appreciation of gold and fall of prices are interchangeable terms; there cannot be a fall of prices where gold is the standard of currency without an appreciation of gold; the two things are simply phases or sides of one phenomenon. They are a "double-faced unity." A useful discussion of the relations of the supply of the precious metals to the prices of commodities would carry us much too far afield, and probably we should not be able, after all, to arrive at conclusions of much importance in their bearing upon the subject of this Essay. There is a serious fall of prices, and it is largely if not exclusively due to over-production of certain commodities, and to the disorganisation of trade which we have been discussing. So far, at least, it is a normal phenomenon of the state of trade.

In one respect, however, this lowness of prices has a practical efficacy in aggravating the depression. When prices are falling, merchants, in order to avoid loss, keep their stocks of goods as small as possible. People are disinclined to buy when they think there is a prospect of greater cheapness. Warehouses at such times are not so well filled as when prices are expected to rise. The demand upon the productive resources of factories and workshops is from this cause less keen than at other times. Thus falling prices check purchases, stop speculation, which is an important element in business, and still further contract the volume of trade.

As regards cost of production, too, the fall of prices has a prejudicial effect. The money value of the outturn of a manufactory or mine is lessened in exact proportion to the fall of price. There is that proportion less to meet the cost of raw materials, the interest on fixed and floating capital, and the remuneration of labour. The item of rent undergoes no reduction when prices fall; the interest on fixed capital may also be regarded as uniform in good years and in bad. In bad years, however, these fixed charges absorb a higher ratio of the proceeds than in good years; and the case is so much the worse if the productive power of the establishment ceases to be used to its full extent. Wages, being less rigidly fixed, invariably suffer; and in protracted and severe depressions, the ranks of skilled labour pay a most onerous tribute, through reductions of wages and scarcity of employment, to the economic readjustment that prepares the way for a new inflation. The reductions of wages may in certain cases be only an accommodation to the new range of prices, leaving the purchasing power of the wage-earner unimpaired; but this happy state of things does not last long in days of depression, for even if wages fall no further it is found that increasing numbers of workmen fall out of employment.* From the workmen's point of view, the greatest possible advantage would flow from such a change of policy on the part of merchants, manufacturers, and capitalists as would tend to lessen the fluctuations of trade, and maintain a steadier if less eventful course of progress and growth.

Hostile tariffs exert a potent influence in restricting trade, but they are not included among the special causes of the present depression. In some cases, no doubt, tariffs have been raised within the last few years, but in others they have been reduced, and on balance there is no great change in the severity of their operation. On the whole, the markets of the world are not less free of access to British products than they were before the present cycle began, and accordingly the consideration of this part of our subject may be suitably deferred until we proceed to discuss the remedies for the depression.

Another influence having some bearing upon the depression, though not, strictly speaking, one of its causes, must also be mentioned. The process of distribution is now much more economically effected than it was in former days. The opening of the Suez Canal has greatly shortened the passage from England to the East. The transit from London to Calcutta does not now exceed a month, as compared with three or four months by the Cape route and the old-fashioned steamers. There is thus a very great saving in the stocks of goods in transit. And not only are ships swifter now, but they carry

* See also page 78, *infra*, *et seq.*

much more, because they are less burdened with fuel—first, by the shortening of the voyage, and, secondly, because an absolute increase of power is obtained from a smaller expenditure of coal per day. Fewer ships are therefore required in proportion to the work done ; and not only is there a saving on the volume of goods in transit, but, by the extension of the telegraph, it has become possible to diminish the stocks warehoused at distant ports. Any new demand springing up in the distant East, can now be met from England in a few weeks, or from another Eastern port in perhaps a few days. The capital invested in stocks of goods no longer lies dormant, as of old, in anticipation of the requirements of the market, but is much more actively circulated. At the same time, smaller quantities of goods are required to meet the necessities of business, and the tendency to lay in stocks for which there is no immediate demand has ceased to operate, to the same extent as formerly, in keeping mills and factories going in a dull time.

Some of the chief causes of the present depression have now been briefly passed in review. The discussion has been far from exhaustive, though it has perhaps encroached unduly on the space that properly belongs to the practical question of remedies. In connection with this question, upon which we are about to enter, some deficiencies in the exposition of causes will be incidentally removed. Our attention has been chiefly confined to those causes that are of a general character, and are more or less operative in all depressions of trade, and to the broad special conditions out of which the present depression has arisen. The consideration of remedies, however, will bring prominently into view some other agencies of a subordinate kind that have an intimate bearing on the whole question.

II.—THE REMEDIES.

In passing on to deal with the question of remedies, the first remark we shall make is that there is no political or economic witchcraft, no philosopher's stone or wishing-cap, by which "bad times" can be instantaneously banished from existence and good times summoned into their place. Nevertheless, there is not a little that lies within the sphere of united human effort even in relation to the goodness or badness of trade ; and nature and the lapse of time bring about remedial measures of their own.

Nature's processes are often rough, but they are always worthy of our most painstaking and unwearied study. When they are clearly and accurately apprehended, the knowledge of them is of supreme value. Though they may not be evaded, or mitigated in their stringency—for Nature's ways are without variableness—we can, at least, bend and obey. Nay more, we can predict results, and so shape our action that those results shall be least harmful to us, or most beneficial.

One fundamental proposition respecting trade-depression and its remedies is that *bad times prepare conditions that help to bring good times back again*. The production of commodities in relation to which the depression is most severely felt becomes less, and under the influence of this restriction of production the stocks already produced cease to accumulate. An equilibrium between production and consumption is thus established. By-and-bye the accumulations of unsold products begin to decrease, and ultimately it is found that consumption has shot ahead of production, whereupon the industry at once revives. This, in brief outline, is the process of Nature, leaving out of account its deplorable accompaniments—the losses of manufacturers, merchants, and shipowners, the want of employment, and the repeated falls of wages that press so heavily on the working-classes. Nature works her cure, it is true; but we could wish for such human arrangements as would lessen the inconvenience and privation due to these adjuncts of the curative process. It is desirable also that we should be able to anticipate nature, and, if possible, to ward off depressions of such severity as to entail these dire consequences.

Before proceeding to deal with remedies in detail let us follow out a little more closely the course of a well-marked depression. There is a fall of prices—first of the finished product, and then of the raw material. The price of the finished product falls because the markets have become over-stocked; that of the raw material because manufacturers sooner or later lessen production and are disinclined to buy extensively in a falling market. Production, because it is checked, becomes cheaper. Raw materials are cheaper because there is no great demand for them. Then capital is withdrawn, and workers are thrown out of employment. As disposable capital increases the rate of interest falls; and disposable capital increases partly because some of that hitherto employed in industrial enterprise is withdrawn, and partly because there are not, in times of trade-depression, many eligible openings for the savings which persons having fixed or steady incomes accumulate at such times—all the more rapidly because of the prevalence of low prices. Prices fall more rapidly than wages. During the dulness of the past year there was an increase of nearly four millions in the deposits of the savings banks of the United Kingdom, this increase being half as much

again as that of 1881, when trade and industry were far more brisk, and more than double the average increase for each of the three years 1878-80, when the previous depression had exerted its full influence on wages. At the beginning of a period of depression—before production is much reduced and employment becomes slack—the earners of wages, in common with the professional and salaried classes, may be, on the whole, better off than they were before the depression began, and are certainly better off than they will be should the depression continue long. Money having a higher purchasing power, while emoluments are not much reduced in nominal amount, there are opportunities of saving which do not exist in times of high prices or of greatly reduced earnings. Then as the contraction of trade and shrinkage of values proceed, many people find it necessary to lower their scale of expenditure. Luxuries are dispensed with, economies are practised, retrenchment is everywhere the rule, and under this *régime* savings are made. Cost of production is also lessened in various ways—by savings on the cost of raw materials, of renewals or additions to plant, of fuel and other accessories, and of labour. Unless all these items in the cost of production came within the scope of the general fall of prices—or “appreciation of gold”—they would be not only relatively but also absolutely higher than they were before the depression set in; but, in point of fact, they do invariably participate in the fall. So long as wages do not decline in a higher ratio than the general fall of prices, the wages element in the cost of production is as great as it was before the fall of prices began, and any lowering of the nominal rate of wages is only an approximation to the old ratio—a necessary approximation if that ratio was normal and not the result of some temporary disturbing cause. But when the depression is very severe and protracted, the lessening of production becomes so great that very many of the working-classes are thrown out of employment, and the proportion of the wages element may be altered to the real as well as the nominal disadvantage of the labourer. For in this state of things more and more capital is drawn from unprofitable enterprise, the wages-fund is thereby contracted, and the labourers have to compete against each other for a smaller dividend. Another fact of high practical moment is that at such times the state of credit is low. On the Stock Exchange only the most unimpeachable securities command the confidence of investors. The home funds, Colonial and Indian Government securities, and the better classes of debentures and preference stocks are sought after, but stocks or shares that are subject to wide fluctuations are not in keen request, and few new issues find acceptance in the market. The result is that money accumulates in the hands of bankers, waiting for more favourable opportunities of investment—that there is, in other words, a vast amount of loanable capital and very little

effective demand for it. Enterprise is in a state of hybernation; trade languishes and stagnates. Altogether the atmosphere is surcharged with gloom; financial troubles are either breaking out or are not far off, and great inconvenience, if not even privation, is suffered by many people.

After a time—through the ordeal of a financial crisis, it may be—the worst is reached and passed, and presently the gloom will break and rays of coming revival begin to appear. Unsound business has been gradually cleared away; much weakness, instability, and abuse of credit have been brought to an end. The operation may be a severe one, and many people may suffer in it losses not due to any fault of their own. Much of the evil that has now to be shaken away and got rid of has resulted from the preceding inflation of trade and the overdone speculation that was its accompaniment and principal cause. And all this is part of the curative process of nature—a preparation of the conditions for a return of prosperity and a start forward on the ascending side of the cycle. One thing only is still wanted, and that one thing is *confidence*—confidence to lay out capital, confidence to purchase. This comes when the possessors of disposable capital satisfy themselves that the lowest point in the depression has been reached, and that henceforth there will be improvement in prices. As a matter of experience, it is found that some special stimulus marks the turning-point and leads on the revival. The low range of prices offers an inducement to increased consumption. Perhaps it occurs to some people in America and elsewhere that, as railway-iron is so cheap the time has come when new lines, to open up certain hopeful-looking districts, might advantageously be made. Perhaps there is a very good harvest somewhere, which is putting money into people's hands and diffusing a spirit of hope and enterprise. From some cause or other the impression gains ground that better times are now at hand, and people become increasingly forgetful of the dead past, and increasingly inclined to take advantage of the opportunities of making good investments that appear to be presenting themselves. A demand springs up for some leading commodity, say for railway-iron on American account, as in the revival of 1879. No sooner is confidence re-established than prices become firm and rise. An impulse has been imparted which rapidly spreads. Industry after industry is galvanised into new life. Enterprise suddenly revives. The feeling that better times are at hand quickens speculation and causes merchants to "go into stock" before prices shall have risen too far. A new spirit prevails on all sides. Producing power is more fully exercised. There is life again in the stock markets, and an upward movement takes place in whole classes of securities, such as the ordinary stocks of railways and the shares of banks and of industrial and commercial

companies, which are expected to benefit by the revival of trade. Promoters again begin to find the times auspicious, and many new ventures are floated. In the inflation-period of 1871-73 a number of foreign loans were brought out—many of them destined to prove of little profit to the lenders. During the revival of 1879-81 a crowd of quite as bad speculations found acceptance among the confiding public. There were whole broods of companies for opening and working imaginary gold mines in India, for applying electricity to purposes of lighting and motive power, for extending railways at home and abroad where no great need for railways existed, for extracting timber from Canadian forests, and for rearing and grazing cattle on the American prairies. All went on merrily for a time. Amid a good deal that was Quixotic there was also a great extension of legitimate enterprise. Many of these companies were feasible and proper in every sense. At the same time the whole circle of industries flourished anew. The iron trade, the coal trade, shipbuilding, the hardware trades, the textile trades—all shared in the general access of prosperity. Much fixed capital was laid down. The building trades were busy, and both for artisans and unskilled labourers there was full employment.

Credit revives with trade. There is a disposition to trust. The loanable capital that has accumulated in the preceding depression comes into use and helps on the expansive movement. In general, too, this is a time when profits rule high. Raw materials and labour do not rise in price so fast as the finished product, and while in the earlier stages of depression the labouring classes have some advantage from the fall in prices preceding the fall in wages, the capitalist has a corresponding advantage when trade is improving and prices are rising. Industrial resources are now more adequately utilised; capital no longer lies idle, and labour ceases to be unemployed. The whole industrial machine is in full working order, and all is bright and cheerful. There is an immense outturn from mines, furnaces, foundries, factories, and workshops. Activity is contagious. Railway traffic expands, and imports and exports increase by leaps and bounds. Prices rise all round; it is now a "depreciation" of gold. Much of the new prosperity is more apparent than real, but it puts money into the pockets of a great many people. There is apt to be too much speculation not resting on a solid basis. The outburst of productive energy may not be well-directed at all points, and some things may be produced in excessive abundance. Then, again, the rise of prices is to a certain extent delusive; in so far as it is general there is no real change in the relative purchasing power of commodities. We have therefore to exercise some caution in dealing with statistics founded on values. It has been shown in a preceding part of this Essay that the present depression has

hitherto been much more a depression of prices than a falling-off in the volume of trade. So, at another stage of the cycle, prices shoot ahead of the real improvement in trade, and in statistical tables exaggerate that improvement.

Such are some of the consequences of a return of confidence after trade has been severely depressed. The most solid remedy for depression is an increase of purchasing power, such as arises sometimes from an exceptionally good harvest, or from the opening of new markets. Attention has already been directed to the great interest we have in the prosperity of other nations, but we must now consider whether the true remedy for the present depression, and the great palliative of future depressions, is not to be in the cultivation of more intimate and sound commercial relations with different parts of the world, and especially with those parts of it comprehended within the bounds of that Empire whereon the sun never sets.

The British Empire contains within itself the conditions of an expansion in power and wealth far beyond anything the world has ever seen. At home we have abundant capital and abundant labour, as well as the skill and energy of a race fitted by nature to gain the victories of peace and to rule in the realm of industry. We have also our coalfields—not inexhaustible, perhaps, but not showing as yet any of the economic symptoms of approaching exhaustion. And we have a mercantile marine of transcendent magnitude. Out of $11\frac{1}{2}$ million tons of ocean-going sailing tonnage in the world, no less than $3\frac{1}{2}$ million tons bear the British flag, or about 30 per cent. of the whole. But how do we stand in relation to steam tonnage? The steam tonnage of the world amounts to about $4\frac{1}{2}$ million tons, and of this the enormous preponderance of $3\frac{1}{2}$ million tons, or more than 70 per cent. is owned within the United Kingdom and its Colonies. Our industrial and carrying power is practically limited only by the means and desires of the countries of the globe with which we hold commercial intercourse. Then how stands the matter with our Colonies? On the Australian continent, which is wholly a British possession, there is a potentiality of growth of which we can hardly as yet form any just estimate. The area of land exceeds three million square miles, and if the present population were evenly distributed over this area it would be found that for each individual, man, woman, and child, there would be about one square mile of land. In Victoria, the most fully occupied Colony, the population is only about ten to the square mile. To show what this means, it may be mentioned that the most sparsely populated country in Europe, Russia, has 39 inhabitants to the square mile, that the United States have on an average 14, that France has 184, the United Kingdom 288, and Belgium 487. The development of the Australian Colonies has been very rapid, but there is still

almost limitless room for further expansion. They might, for instance, have fourteen times their present population, and the land would still be no more fully occupied than that of the United States with their great cattle ranches and mountain wildernesses. And still the density of the population would be only one-third of that of Russia in Europe, and one-sixth of that of such thinly peopled countries as Bulgaria, Greece, and Spain. The rapidity of the growth of Australia in the past can be shown with the satisfactory definiteness of statistics; and from the experience of the past the prospects of the future can be in some degree anticipated and foretold. The following sets of figures are derived from the official "Statistical Abstract of the Colonial and other Possessions of the United Kingdom." Not the least significant criterion of the progress of new countries is the growth of population. The first table shows the population of the several Australasian Colonies at the last three census enumerations, viz:—

(In thousands—000's omitted.)

	1861.	1871.	1881.
New South Wales	358	504	751
Victoria	540	732	862
South Australia	127	186	280
Western Australia	16	25	30
Tasmania	90	102	116
New Zealand	99	256	490
Queensland	35	120	213
Total	1,265	1,925	2,742

The mileage of railways open for traffic is another valuable index. The first year for which complete returns of mileage are available is 1873:—

	1873.	1878.	1882.
New South Wales miles	401	733	1,268
Victoria "	458	1,052	1,355
South Australia "	202	454	945
Western Australia "	30	68	95
Tasmania "	45	172	167
New Zealand "	145	1,070	1,374
Queensland "	218	428	867
Total "	1,499	3,977	6,071

Of telegraph lines there were open in the whole of Australasia 16,527 miles at the end of 1873, 23,680 miles in 1877, and 30,767 miles in 1882. The tonnage of vessels entered and cleared, exclusive of coasting trade, shows the following progress:—

(In thousands of tons—000's omitted.)

	1867.	1872.	1877.	1882.
New South Wales	1,374	1,588	2,238	3,297
Victoria	1,210	1,361	1,875	2,691
South Australia	344	347	673	1,337
Western Australia	101	138	151	344
Tasmania	200	205	319	417
New Zealand	618	586	789	900
Queensland	295	292	957	1,881
Total	4,142	4,517	7,002	10,867
Of which British	3,841	4,107	6,394	10,055

For the same period the progress of the import trade has been as follows:—

(In thousands of £'s—000's omitted.)

	1867.	1872.	1877.	1882.
New South Wales	£6,600	£8,587	\$14,606	£21,281
Victoria	11,674	13,691	16,362	18,748
South Australia	2,506	2,801	4,625	6,708
Western Australia	204	227	363	509
Tasmania	856	807	1,309	1,671
New Zealand	5,345	5,143	6,973	8,609
Queensland	1,748	2,176	4,069	6,318
Total	£28,933	£33,432	\$48,307	£63,844

And the growth of export trade has been:—

	1867.	1872.	1877.	1882.
New South Wales	£6,881	£8,005	\$13,128	£16,717
Victoria	12,724	13,871	15,158	16,194
South Australia	3,165	3,739	4,627	5,360
Western Australia	174	209	373	583
Tasmania	790	911	1,417	1,587
New Zealand	4,645	5,191	6,327	6,658
Queensland	2,199	2,635	4,057	3,534
Total	£30,577	£34,561	\$45,085	£50,633

The imports and exports together, forming the entire external trade of the Australian Colonies as a whole, have been as follows :—

(In millions of £'s—000,000's omitted.)

1867.	1872.	1877.	1882.
£59	£68	£93	£114.

It is convenient in this place to complete our statistical data with the following table of the public debts of the Colonies, which have been incurred almost exclusively for railways and other "reproductive" purposes. The progress of the public debts of these Colonies since 1867 has been as follows :—

(In thousands of £'s—000's omitted.)

	1867.	1872.	1877.	1882.
New South Wales . . .	£6,918	£10,773	£11,725	£18,721
Victoria	9,481	11,985	17,011	22,103
South Australia . . .	1,078	2,284	4,787	12,473
Western Australia . .	—	35	161	511
Tasmania	1,019	1,412	1,590	2,051
New Zealand	5,781	9,985	20,691	30,236
Queensland	3,344	4,548	7,685	13,125
Total	£27,621	£41,022	£63,600	£99,220

In addition to the large sum of one hundred millions—it is now considerably more, indeed—borrowed by the Colonies chiefly from the mother country (for the amount raised within the Colonies themselves is inconsiderable) they have also the use of a large mass of British capital through municipal loans, land mortgage and agency companies, and banking establishments.

The following are the principal figures for other Colonies :—

	Canada.		Cape.		West Indies.		Ceylon.	
	1861.	1881.	1861.	1881.	1861.	1881.	1861.	1881.
Population (in thousands)	3,294	4,504	582	1,250	934	1,213	1,692	2,758
Railways (miles open)	(74) 4,002	7,530	(73) 64	1,060	(74) 61	90	(71) 74	178
Imports (in thousands, £)	13,670	23,374	8,035	11,700	5,396	7,008	3,663	4,147
Exports	10,894	22,106	2,004	5,192	5,773	8,269	2,706	3,392
Public Debt	14,362	32,655	615	14,893	1,728	2,023	100	1,941
Tonnage entered and cleared (in thousand tons)	5,737	8,748	542	2,990	1,467	4,553	837	3,070

The meaning of all these figures is abundantly clear. The possibility of rapid development in the British Colonies is not a matter of theory merely. Great and rapid progress has been made during the last quarter of a century, and we have seen how great is the scope and room for further, almost illimitable, progress. Nearly eleven million tons of shipping are annually entered and cleared in the Australian Colonies with their present very moderate development. Their trade may soon be doubled. This would give employment for twice the amount of tonnage required for carrying that trade, and there would be a corresponding increase in the demand for products of British industry for consumption in Australia. They cannot, for many years to come, become manufacturing countries, for this would mean that they threw away the advantages given them by nature and refused to participate, through interchange of commodities, in the advantages enjoyed elsewhere. The tariff barriers which some of the Colonies have set up have a certain effect of this kind, but however injurious and impolitic they may be they are not impassable barriers.

In connection with the question of Protective tariffs it has to be remembered that there is no true rivalry between the United Kingdom and its Colonial possessions. Its economic conditions and productions differ entirely from theirs. The mother-country has capital enough and to spare; the Colonies require and can afford to pay for the use of much more capital than their own people possess. So far as its external trade is concerned the United Kingdom is purely and exclusively a manufacturing country; raw produce and specie are the staple Colonial exports. The Australian Colonies supply us with wool, mutton, wheat, sugar, cotton, tin, copper, and specie; South Africa with wool; Canada with timber, corn, and other agricultural products; the East and West Indies with sugar, coffee, tea, indigo, spices, cotton, jute, rice, and hides. These several Colonies receive from us in exchange all sorts of textile fabrics, iron manufactures, machinery, hardwares, and cutlery. The proper and mutually beneficial economic relation between the Colonies and the mother country is that of a great co-partnership—the greatest manufacturing and maritime nation working hand-in-hand with raw-produce countries peopled by its own children, developed largely by means of its capital, giving employment to its mills, factories and shipping, and supplying it with many of the prime articles of consumption and materials of manufacture. It is quite within the power of Governments and Legislatures to impair and restrict this beneficent co-operation. Hitherto, on the whole, their influence on trade has been more in the way of hindrance than of help; and yet in this case help is much easier than hindrance, and consists for the most part in standing aside and leaving it in perfect freedom. Free trade

is now a settled and irrevocable part of British policy. Our manufacturers will never be persuaded that an import duty on cotton or flax could be otherwise than a grievous injury to trade; and though a new corn-law would enhance the rent of agricultural land, we need be under no apprehension that this is an object which the mass of electors who have to buy their bread will be at all inclined to promote by such a measure. Some of the Colonies cling tenaciously to a Protective policy—partly because they hope by means of it to establish “native industries,” and partly because it enables them to elude the irksomeness of direct taxation. Whatever advantages Protectionism may offer in these respects they are advantages purchased at a heavy cost. A discussion of the question would be irrelevant here, and I content myself with directing attention to the figures, in the foregoing tables of imports and exports, for the Free Trade Colony of New South Wales and the Protectionist Colony of Victoria respectively.

The British Government by itself can do little to extend trade with the Colonies. It has given freedom at all its ports for many years, and to restrict that freedom would be to restrict trade. The Colonies, for their part, have self-government, and in its exercise some of them have set up tariff-barriers against the trade of the mother-country. Still there are some hopeful symptoms. There has been of late a growing *rapprochement* not only between the Colonies themselves, but also between the Colonies and the mother-country. Representatives of the several Australian Colonies have met together in council for the discussion of objects of policy, and their respective legislators have agreed to provide funds for the fulfilment of the terms of the convention that was the outcome of these deliberations. This was the first step towards a closer federal union. Then at home we have our Colonial Institute and Federation League, and our consultations on matters of policy between the Minister who presides at the Colonial Office and the authorised representatives of the Colonies. Colonial federation and Imperial union, accompanied by the establishment of a consultative body for dealing with Colonial questions as they emerge, could not fail to be of signal advantage to the common interests of the whole Empire. There would be opportunities of persuasion such as have not hitherto existed. When the Colonies begin to take counsel together on questions of common interest they will necessarily take into consideration the old grievance of border-duties; and the increase of population and commerce will render these artificial restrictions on commercial intercourse more and more irksome. The colonists in the borderland between Victoria and New South Wales are quite alive to the evils and inconveniences created by the customs cordon. Of late years, indeed, there has been an agitation not in that quarter merely, but among the

colonists generally, in favour of low tariffs throughout the Empire. This agitation will receive a new impetus from the movement in favour of federation, and the probability is strengthened that no long time will elapse before it leads to some kind of practical action. *Free commercial intercourse should be of the very essence of the connection between the Colonies and the mother-country*, as well as between adjacent colonies and each other. As between such Colonies as Canada and New Zealand it is probably a matter of no great importance whether interchange of products is hampered by tariffs or not; but the case is entirely different with contiguous Colonies, as well as between communities so completely equipped for ministering to the needs of each other as the United Kingdom and its colonial possessions. They are not rivals but counterparts. Their great economic function should be to supply each other's deficiencies, and in doing this each part would contribute to the greatest good of the whole.

We are now in a position to appreciate with clearness *the vital relation of commercial geography to British economics*. There is much to hope for from the development of the Colonies; but over all the habitable parts of Asia and Africa, as well as throughout most of South America, there are possibilities of commercial expansion of the utmost importance in relation to the prospects of British trade. The agricultural and mineral resources of these continents are still very far from being fully turned to account. In South America the conditions resemble those prevailing in our own Colonies, though with important political differences. There are large areas of unoccupied land waiting for settlers, and ready to contribute largely to the wealth of the world. Political instability may retard colonisation and development, but nature is bountiful even where human institutions are bad; and nature endures while human institutions fade and perish. The vast empire of Brazil enjoys a moderately strong and stable government, and from its situation, its magnificent forests, the richness of much of its soil, its great navigable river and innumerable smaller streams suitable for lumbering operations and as waterways for small craft, its cotton, sugar, and coffee plantations, and its extending railways, is a State of enormous productive capacity and natural attractiveness, though as yet but sparsely inhabited. The countries of the Plate River and its tributaries are among the best stock-raising lands in the world. Political distractions have impeded their progress, but in spite of these they are rapidly growing in commercial importance. In 1873 the foreign trade of the Argentine Republic amounted to 24 millions sterling; in 1883 it came to 29 millions. An increase of 22 per cent. in ten years is certainly far below the rate of progress which under better political conditions, and in the hands of an energetic colonising race, might be expected;

but still it is a very substantial gain. South America as whole, including the western seaboard, as well as the forest lands, the plains and pampas, east of the Andes, has in it potentialities that are certain to become increasingly efficacious in extending the trade of the world.

The limits at my disposal prevent a full discussion of this topic in the light of statistical data ; neither can I dwell on the economic consequences of the opening up of the African continent. On that continent there is a large indigenous population, hardy and strong enough to live and grow in contact with European civilisation and its attendant vices. Within the last two or three months some very important steps have been taken towards opening-up this continent to European commerce—steps that may be expected to give an impetus to our textile and hardware trades, and especially to the cotton-trade of Lancashire. The Congo basin has been erected into a great free State, open to the trade of all nations without tariff barriers or artificial impediments of any kind, and with a freedom of access practically secure from liability to be interfered with by native wars or other disturbances. Another great area towards the east coast, from the Zambesi northward, has also been made over to commercial freedom ; while the Niger Valley, and the accesses from the Niger to the populous countries round Lake Tchad, are to be commercially free and under British supervision. What may come out of the present troubles on the Upper Nile is a problem on which it were bootless to speculate ; but with Italian influence firmly established at the southern end of the Red Sea, and the desolating barbarity of the slave traffic suppressed, we may look for a gradual upgrowth of commerce in the regions now given over to war and fanaticism under the standard of the Mahdi.

From this cursory survey let us pass on to consider a field of commercial extension of a different kind, but perhaps not less full of promise for the early future. The Chinese Empire, including China proper and its dependencies, covers an area of $4\frac{1}{2}$ million square miles, or half as large again as that of Australia. China proper is about 1,350,000 square miles in extent, or half the size of Europe ; and its population is estimated at 300,000,000. The most thickly populated provinces have 800 inhabitants to the square mile, and the average, deducting uninhabitable mountain tracts and the spaces covered by water, is about 260 to the square mile, or nearly the same as that of the United Kingdom with its vast aggregations concentrated in the manufacturing districts. The density of population in China is most extreme along the great waterways by which the country is intersected. The complete opening-up of this most populous of Oriental nations is a work of the future, but even a small beginning would afford an effective remedy for the present depression of trade. Let us consider what the opening-up of China would mean. The Chinese

foreign and coasting trade in 1882 amounted to 17,390,000 tons, 61 per cent. of which was borne by British vessels, 26 per cent. by Chinese vessels, and 13 per cent. by the vessels of other countries.* In value the foreign trade in that year was as follows :—

Imports . . .	£22,550,000
Exports . . .	19,560,000
Together . . .	£42,110,000
And the coasting trade in-wards . . .	42,160,000
and outwards . . .	36,100,000
Together . . .	78,260,000
making in all . . .	£120,370,000

The comparative insignificance of Chinese trade, and especially of Chinese foreign trade, is thus manifest. India, with its smaller area and population, imported in 1882 merchandise and treasure to the value of 60 millions sterling, and its exports were 83 millions—together 143 millions, or more than three times the amount of the imports and exports of China. The principal articles of Chinese export are tea and silk, but other staple articles produced are rice, wheat, cotton, and sugar. In the order of their respective values the imports are opium (about eight millions), cotton goods (seven millions), metals (one-and-a-half million), and woollens (one million). Except as regards opium these imports are entirely out of proportion to the magnitude and capacity of China. India, though it has extensive cotton manufactures of its own, imports about 25 millions' worth of yarn and piece-goods per annum from this country, or three-and-a-half times the quantity taken by China, whose necessities ought to be much greater than those of India.

It is a fact of some significance in relation to the subject of this Essay, as will presently appear, that population in China is densest in the parts of the country most accessible to commerce, namely on the sea-coast and along the valleys of the great rivers. The extreme and unrelenting jealousy with which the Chinese rulers have resisted all kinds of commercial intercourse between their subjects and foreigners is well known. There are now nineteen "Treaty ports" open to foreign vessels—five of them on the Yangtsekiang, some little distance inland, and the other fourteen on the seaboard. The greater part of the country

* A. R. Colquhoun, "The Opening of China," p. 21.

is still completely closed. Until within the last few years there was a great annual fair at Bhamo, in Upper Burmah, to which large quantities of cottons and other goods found their way from Rangoon; and from this fair they were distributed over the province of Yunnan in the south-west of China. The recent troubles in Burmah, however, are understood to have nearly put an end to this trade. Since Yunnan thus became practically closed the French have been endeavouring to gain access to it by way of the Songkoi, or Red River of Tonkin, with the result that instead of peaceful commerce being promoted, a wasteful and protracted war is being waged. China and the world would gain in material prosperity, civilisation would also gain, and the general interests of mankind would be promoted if this great and populous region were made accessible to a free interchange of its products for the products of other countries which are suitable to the requirements of its people.

But there is an antecedent necessity. China, as has been said, requires to be "opened to the Chinese." The navigation of the rivers, which has drawn the population to their banks, requires to be supplemented by the construction of great trunk lines of railway, with branches to connect important places with the highways of land and water carriage. Railways are among the western innovations against which the Chinese ruling-classes have hitherto set their faces. Times, however, are changing even in China; and the residence of the Marquis Tseng and other influential men in foreign countries must contribute in no small degree to the breaking down of old exclusive traditions, and to bringing China into line with the great nations of the earth. Already the powerful statesman and successful soldier, Li Hung Chang, has been urging that railways should be introduced, and his representations, though not yet acted upon, have not been without a backing by other men of position and authority. In 1880 when war between Russia and China seemed not unlikely to break out, Li Hung Chang memorialised the throne for the construction of a line from Tientsin to the capital, to be ultimately extended to Monkden and the Yangtse: and in 1881 the Commissioner of Tientsin expressed himself to this effect, as quoted by Mr. Colquhoun:—"Although the railway is not yet in China an accomplished fact, like the telegraph, one may predict that it is not far off The discussion which took place last year proves sufficiently that China knows that to-day she must also follow the movement of other nations in order to maintain her place. The discussion has ceased, it is true, for the instant, but certain signs of its early revival manifest themselves, and, once resumed, it will lead to action." Mr. Colquhoun also remarks that the adoption of steamers along the coast and on the Yangtse has paved the way for the railway. Much more has yet to be done by steamers; but the railway is

the true and efficacious means of opening China to itself and the world. According to Mr. Colquhoun, who has studied the question in China itself and with an unsurpassed amplitude of practical knowledge, there is no great trade-route of importance, with the exception of the eleven hundred miles of the Yangtsekiang now navigated by steamers, where a railway would not pay. The country has a great deal of internal traffic carried on in the most primitive fashion, the agencies of transport being men's backs, caravans of mules or ponies, and "the rudest of carts and wheel-barrows." Within the limits of China there are some cotton and other manufactures, and it is well endowed with coalfields and other mineral resources. When railways are once introduced its commerce may be expected suddenly to undergo a great expansion, its mines to yield their wealth, and its manufactures to grow and flourish. Old prejudices will necessarily vanish. The railways will succeed, as those of India have done, in spite of all vaticinations of failure. Already the telegraph, the telephone, and the electric light are acclimatised in China, and it is certain that the railway cannot be far behind.

We come now to the point to which all this leads up. Whenever the Chinese Government resolves on the creation of a railway system, the trade of the world, and especially that of this country, will receive a fresh stimulus and impulse. In the first place the demand for rails, chairs, sleepers, locomotives, wheels and axles of carriages and trucks, and the thousand and one appliances required for the full equipment of a railway, will in all probability fall chiefly upon the British iron trade, though some orders may be placed abroad, and some attempt will doubtless be made to manufacture the requisite supplies within China itself. Nor is the demand at all likely to be transitory. The most important line, according to Mr. Colquhoun, would be one, some thirteen or fourteen hundred miles long, to connect Tientsin and the north with the great cotton and grain growing regions and the central and southern provinces. This in itself would be an undertaking which, if carried out at all rapidly, would make a very great difference to the iron trade and its related and dependant industries and occupations. Such a trunk line would immediately require to be supplemented by branches, and as soon as the advantages of railway communication begin to be apparent, not one nor two but several trunk lines would be required. When inland communication is opened on a suitable scale, not only will the latent wealth of China in mines and coalfields be brought into activity, but the traditional political and fiscal obstacles to internal and external trade will of necessity pass away. The west of China and the great unknown country of Tibet will be brought within the circle of the world's commerce. Hitherto the inland customs

duties of China have been largely instrumental in stifling the movement of merchandise, but as soon as railways are made through the country, the exaggerated and anti-national home-rule of the mandarins will have to give place to free intercourse and broadening conceptions of interest and policy. The provinces of the interior would not, under a system of improved communication, tolerate the existence of customs barriers between them and the coast. Customs cordons between province and province would inevitably vanish away, and new countries, more populous than foremost European nations, would begin to participate in and swell the volume not only of Chinese but of international commerce. Reference has been made in a preceding page to the development of the Indian wheat-trade as the most important fact in the recent economic history of India. This is a development for the most part due to and rendered possible by the Indian railways, the chief wheat-growing regions being situated far from the coast and not directly connected with it by canal or river navigation. So it must be in China. Immense areas of fertile uplands that have slumbered on from age to age will waken into life and energy as soon as the electrifying contact with the outward world reaches them, and the area of the commercial world will be augmented by the inclusion within it of new tracts of settled country containing a larger number of the human race than the whole American continent.

It may occur to the reader that however well-founded this cheering prospect may seem to be, there is yet the fatal objection to it that China is not financially able to furnish itself with a network of railways, or even with a few great lines. The real question, however, is whether the traffic prospects are sufficiently good, because in that event there would be no difficulty in obtaining abundance of foreign money. Mr. Colquhoun's view is that the basis of a Chinese railway system must be Imperial loans for reproductive purposes at such a rate of interest as would attract capital from Europe and yet leave a profit to China. Apart from direct profit the gain to China from the traffic would be incalculable, and ought to be an adequate inducement, when the waning prejudices have ceased to obstruct, to lead to rapid progress in the construction of railways by means of the capital of foreign investors, somewhat after the principle on which the Indian railways have been made though probably a slightly higher rate of interest would be necessary. Were the capital largely raised in Europe, that is to say, in London, it would doubtless be transported to the East, in great part, in the form of railway iron and equipments, and would thus be instrumental, in the first place, in quickening and rewarding British industry, and in giving additional employment to the British mercantile marine, as it would be efficacious, permanently, in affording the means of transit to commodities that at another

stage of their journey would be reckoned as British imports or exports.

China is the greatest by far of the countries still unopened to commerce, and when the process of opening it once fairly begins we are not likely for some time to see another severe depression of trade. Other countries may also contribute in an analogous fashion to the advantage of British industry in the almost immediate future. One of these countries is Burmah, the connecting link between India and South-western China. It is in a disturbed political condition, betokening early and perhaps radical change. With the establishment of tranquil and stable rule and reasonable freedom of intercourse the river navigation, by means of which a considerable commerce has been carried on, might be supplemented by a railway that would be serviceable not only for the Burmese local trade, but as a means of access to the Chinese province of Yunnan. This again would have to be effected by means of British capital, the earnings on which would contribute to the elasticity of the freight market and add to the volume of imports and to the tribute which British capital is increasingly levying from all parts of the world. The interest on British investments abroad and the earnings of British shipping for both the outward and the inward voyage are brought to this country in the form of imported merchandise or specie, and the greater the volume of these investments the greater will be the mass of commercial business which they serve to set in motion.

It has been estimated by competent statisticians that the British capital employed abroad in trade, shipping, and permanent investments cannot be less than from 1,500 to 2,000 millions. The public debts of the Australian colonies, the bonds of which are chiefly held in this country, now exceed a hundred millions; and the debt of India in England is about seventy and in India itself about ninety millions, nearly all of which is transferable on the London market. Brazil and the South American Republics, Russia, Turkey, Egypt and various other countries have also borrowed much money in this country. All our greater Colonies, in addition to their public debts, have also, as already observed, received large sums of British capital in the form of municipal loans, railway investments, banking funds, loans through land mortgage companies, and the resources of private traders and speculators. Of this capital, by far the greater part has been highly beneficial to British as well as to Colonial trade. Besides the capital directly invested in railways and other reproductive works in the Colonies and in foreign countries, much of the State-borrowings have left this country, not in the form of bullion, but in that of iron and other manufactured products.

There is always a danger of overdoing these investments—of

overstepping the reasonable requirements of the country and districts receiving the benefit of them ; but in a growing State, where they are judiciously and not prematurely or too rapidly laid out, they are not only of immense advantage to British export trade at their initial stage, but they ever afterwards contribute to the benefit of British import trade, both in the shipments necessary to meet the interest on the investments themselves and, more generally, through the increase of trade due to the exploitation of the borrowing country. The risk lies in allowing these artificial stimuli—if as such they may be regarded—to be carried to excess ; and this risk is made all the greater by the distance between the capitalist and his investment. There is, however, a very extensive field for the fruitful application of capital in new countries, and many errors of judgment are remedied in the end by that natural growth of population, industry, and commerce, which, through the influx of emigrants, often proceeds at an amazing rate. The United States have had not a few financial storms, accompanied by serious depressions of trade and industry, but they have always shown a wonderful recuperative power, and, after the lapse of a few years, their needs have more than overtaken the premature provision for them. It is desirable, as far as possible, to avoid the extremes of inflation and depression, and if these are inevitable it would be well, in the interest of British trade, that they should not occur in many parts of the world at one and the same time.

To talk of regulating the cyclical movements of trade may seem not much less absurd than to talk of regulating the seasons and sunshine. For fluctuations in the produce of agriculture, which are contingent on the operation of forces of nature, there is no available remedy. But the disastrous consequences of these fluctuations can be mitigated by human contrivance and foresight. We suffer still from too great addiction to wheat-growing, and go on importing twenty millions' worth of dairy produce per annum. "The production of bread and meat within these islands," wrote Sir James Caird some years ago, "appears to have nearly reached its limit. The dairy and market-garden system, fresh milk and butter and vegetables, and hay and straw are every year enlarging their circle around the seat of increasing populations. These are the articles which can least bear distant transport, and therefore are likely longest to withstand the influence of foreign competition."* Yet for butter, cheese, eggs and poultry brought into this country from abroad we last year paid the large sum of twenty millions. The produce of wheat in Great Britain is about ten million quarters per annum, which, at fortyshillings a quarter—a much higher price than has prevailed since last harvest—would be of the same value as the dairy pro-

* "The Landed Interest and the Supply of Food," p. 143.

duce we import. Sixteen millions worth of live and dead meat was imported last year. Whether much of this part of our supply might not be produced at home is a question which I shall content myself with merely suggesting. This at least is clear, that there are alternatives to wheat-growing in these islands, and some of those alternatives are held by so high a practical authority as Sir James Caird to offer a far better prospect of profitable results. Losses upon our agriculture, such as have been so frequent and so great of late years, on account, first of bad seasons and now of low prices, are prejudicial to trade to the extent to which they reduce the purchasing power of the classes interested in land. The importance of agriculture, though relatively much less than it was, is still far from small. The cultivation of land is still the greatest of British industries, and it is to the interest of all classes that agriculture should prosper. One remedy for the present depression of agriculture is to be found in directing it more to the production of milk, which is not likely ever to be imported in large quantity, and for which our town populations afford a market that might be immensely developed. Increase of dairy produce means increase of pasturage and green crops, and diminution of corn crops. Another remedy will be provided by the operation of natural laws. Seasons will not be invariably so productive as last season was, and the lowness of price will be found this year to have diminished the acreage under wheat.

Nothing good is to be hoped for from legislative contrivances for the improvement of trade. Protection aggravates instead of diminishing depression. In the United States, under the blessings of Protection, fluctuations and depressions are much greater than in this country; and according to recent reports from twenty-two different States, chiefly in the north, an average of 13 per cent. of the industrial classes were out of employment. The Protective system, by diverting the energies of a country from their natural channels, necessarily lessens the volume of its trade; for the products of industries that require Protection are, by the fact of their requiring it, incapable of competing successfully in neutral markets. In another of its aspects Protection is a refusal to take advantage of the bounty of nature. To refuse Hungarian, or Russian, or Californian wheat because we can get wheat from Oude, South Australia, or Manitoba would not be an act of rational judgment, but would partake rather of the character of fanciful eccentricity. If foreign wheats, from whatever country they come, can be brought in as an adjunct to the general supply, that supply must be all the better by reason of them. But those countries, it may be said, do not treat us fairly, and impose tariffs against our manufactures. No doubt, and it is to be regretted. Still unless they are to be so generous as to make us a present of the wheat

—in which case we should have no reason to complain—they must take something in exchange for it. The price is ours, not theirs ; it is the price ruling in our market. It is beyond our province to decide for them how the price is to be paid. In the last resort they can be paid in bullion, but only a quite insignificant proportion of our indebtedness to other nations is so met. There is no country from which we import commodities that does not take commodities from us in exchange ; and the more we find it suitable to our interests to import, the better able shall we be to compete successfully in the markets of the world. It is our prerogative to decide what we shall buy ; we can in no degree decide for other nations what they will buy in return, but with our manufacturing supremacy unimpaired we can tempt them with commodities, and their ability to supply us in competition with the world is so far an aid to the maintenance of that supremacy. To close our ports against even the most refractory of Protectionist nations would therefore be bad policy on our part. Their very Protectionism, however, by imposing upon them needless burdens, restricts their power of successful competition against free-trade communities, even in regard to those articles in the production of which they enjoy the greatest natural advantages.

What is most to be desired is a natural and on the whole progressive growth of commerce. Not spurts and spasms, but healthy and well-ordered vitality is the condition at which we ought to aim. The establishment of this condition will be promoted as economic knowledge increases, and is more and more acted upon in industrial and mercantile affairs. It is highly necessary that trustworthy information should be accessible as to the state and prospects of trade and credit in foreign countries. Sound economic teaching is more than ever necessary in these days if the earth is to yield her increase, and the greatest material good to be enjoyed by her inhabitants. To a basis of sound knowledge of principles should be added the most complete statistical data that can be collected from year to year. In this country statistical inquiry has been carried to a high state of efficiency, but we do not know nearly enough as yet of the condition of foreign countries, and much of the statistical information we obtain regarding them arrives too late to be of much practical use in relation to the movements of trade. Correct statistical data, promptly obtained, and disseminated and popularised by an efficient journalism would serve in no small degree to mitigate extremes of depression and inflation. Then as to policy, there should be the greatest possible liberty of action, without artificial nursing or avoidable interference of any kind. Of technical education and industrial skill we cannot have too much. Moral qualities also come into play ; idleness,

drunkenness and crime are sins against the whole commonwealth. Economy in private life augments the general capital and the standard of well-being. A fair distribution of the proceeds of industry is necessary; and when industry is directed with fuller knowledge and wiser prevision, so that the loss and waste of trade-depressions shall be avoided as far as possible, the average of these proceeds will be greater, and the lot of all concerned will be sweeter and happier. Then we may hope for a gradual diminution of the waste and misery of war, for an abatement of war-expenditure in time of peace, and for the replacing of unnecessary armaments by the instruments of productive enterprise. Instead of the rivalries of dynasties, and the game of "high politics," with armed hosts in the background, we may hope for an increasing co-operation of peoples in useful industry. In the meantime, and without stretching forward into an ideal future, there is much to be expected from the binding of our British Empire more closely together in the bonds of mutual goodwill and industrial reciprocity.

SUMMARY AND CONCLUSIONS.

In this too fragmentary treatment of a wide and profound question we have given some account of the theory of trade cycles, and have illustrated that theory by the statistics of trade movements and sought to apply it to the present condition of trade. The universality of the effects of trade movements and the influence of local and temporary causes upon the course of the cycle have also been touched upon.

As to the special causes of the present depression, we found—

- (1.) That it is largely the result of previous inflation;
- (2.) That, in particular, railroad-construction in America, and iron shipbuilding in this country, were greatly overdone;
- (3.) That this led to an excessive and unhealthy activity in the iron and coal trades;
- (4.) That reaction necessarily followed in all these departments and in others dependent upon them;
- (5.) That the depression in the shipping trade, due in the first instance to excessive building, has been aggravated by an exceptionally good harvest in this country and the consequent diminution of imports;
- (6.) That the harvest was plentiful in most wheat-growing countries, including those that have recently brought a great deal of land under wheat cultivation, and that consequently the price of wheat has sunk to an abnormally low point; that the purchasing power of those countries has thus suffered a temporary diminution;
- (7.) That this, in turn, has reacted on trade, aggravating depression abroad, and lowering freights;

(8.) That the present depression in the textile and other trades is manifested in a fall of prices, and not in diminution of quantities ;

(9.) That productive power in relation to large classes of commodities has outstripped present requirements ;

(10.) That too much fixed capital has been laid down, that skilled labour cannot readily be transferred from overdone industries, and that over-production is aggravated by joint-stock companies ;

(11.) That the working classes and consumers, as such, have an advantage in the present cheapness, but that cheapness leads to slackness of employment and depression of wages ;

(12.) That falling prices (or appreciation of gold) aggravate depression by checking speculation and causing merchants to restrict their stocks of goods ;

(13.) That with low prices the fixed charges connected with manufacture are relatively more onerous and absorb a larger proportion of the product, and that consequently the relative cost of production is increased ;

(14.) That from improved communication there is now increased economy of distribution, and that relatively smaller quantities of goods are occupied in transit or stored in warehouses abroad.

With regard to remedies, the following amongst other propositions have been maintained :—

(1.) That bad times prepare conditions that help to bring good times back again ;

(2.) That depression, though at first accompanied by over-production, gradually leads to an equilibrium between production and consumption ;

(3.) That savings accumulate in times of low prices, and that during depressions there is much loanable capital waiting employment ;

(4.) That ultimately confidence is the chief desideratum ;

(5.) That whenever confidence revives, goods come into demand, prices and profits rise, and manufacturing industry starts into new life ;

(6.) That increase of purchasing power (that is, of wealth), is the most solid remedy for trade-depression ;

(7.) That the British Empire contains within itself, the conditions of an almost illimitable expansion of trade—illustrated by statistics of Australia ;

(8.) That the present *rapprochement* between the Colonies and the mother-country, and among the Colonies themselves, is of good omen in regard to trade ;

(9.) That the opening of new countries and fresh markets is fitted to be a most important agency in removing trade-depression ;

(10.) That from the opening of Africa important results will flow ;

(11.) That the introduction of railway communication into China, would impart a prodigious stimulus to trade and industry ;

(12.) That the investment of British capital is a principal means of opening new countries and developing their trade ; that this capital reaches them largely in the form of exports of manufactured commodities, and that the interest on it is of permanent benefit to British import trade ;

(13.) That the depression in British agriculture, would be remedied or lessened by superseding wheat-growing to a great extent in favour of dairy-farming ;

(14.) That nothing good need be expected of legislative contrivances for the improvement of trade, and that the true commercial polity is to give the largest possible amount of freedom ;

(15.) That a natural growth of commerce, without spurts and spasms, is the condition most to be desired ;

(16.) That this would be promoted by the diffusion of sound economic knowledge, and by the prompt publication of statistical data as to the condition of foreign countries ;

(17.) That technical education and industrial skill, economy and sobriety in private life, peace, and the reduction of armaments, likewise tend to promote prosperity in the commercial intercourse of nations.

The present depression of trade will pass away with the progress of the cycle. These and other ameliorating or remedial agencies, that have been passed in review in the preceding pages, though efficacious up to a certain point, cannot be so applied as to work any sudden transformation. But they will be helpful in their several degrees in relation to the present depression, and will be more largely operative in that bright future of the world, to which we look forward.



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